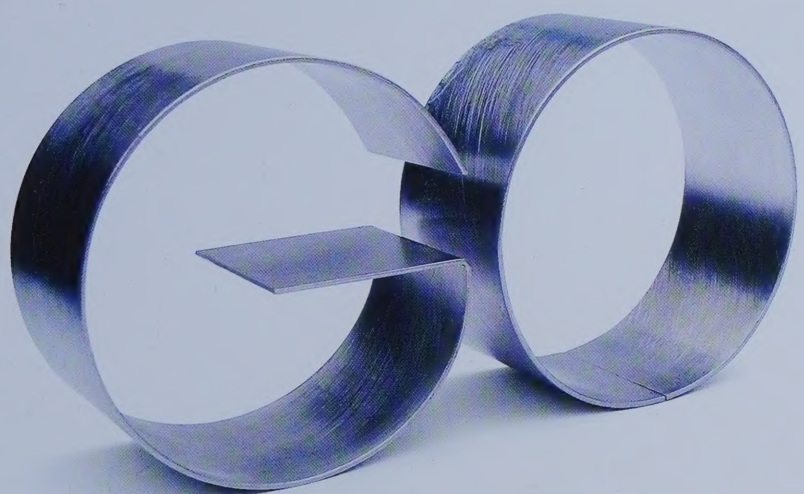
IPSCO

READY, SET,



2004 ANNUAL REPORT

It's been a banner year... and there's more to come.

2002

Ready

In 2002, with over $1 billion in new assets and rising productivity, IPSCO was ready to deliver stronger results. But the market wasn't favorable.

2003

Set

By the end of 2003, IPSCO had further strengthened its market position, as it fostered successful relationships with a broad cross-section of new customers.

2004

Go

In 2004, a new supply and demand dynamic led to more sustainable results. With excellent assets and strong customer positioning, IPSCO's performance is outstanding.

The roots of IPSCO's success run deep.

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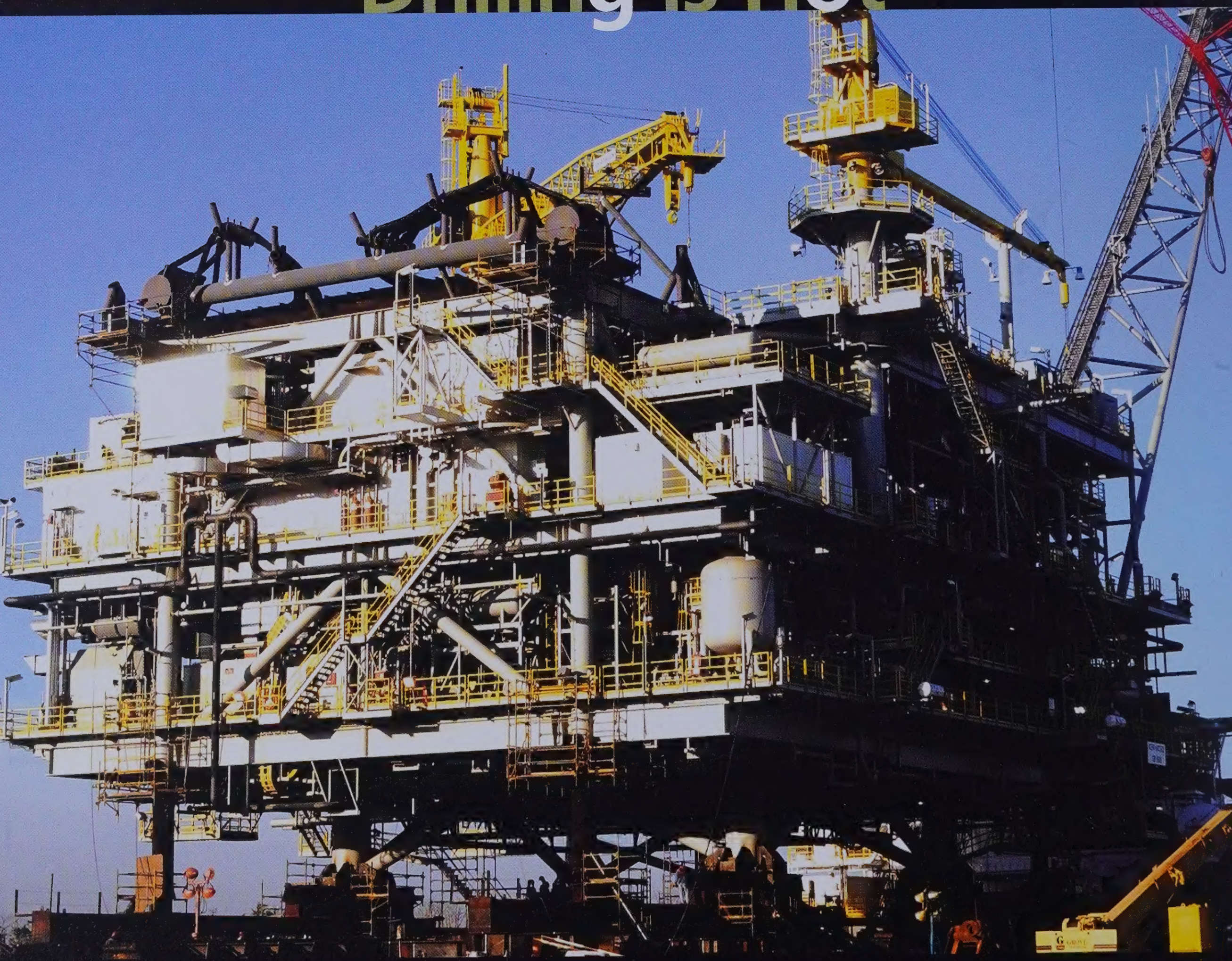
Drilling is Hot



"We build offshore drilling and production platforms for the oil and gas industry. Due to the increased demand put on all U.S. mills, IPSCO has and will continue to be a critical source of supply."

– Kirk Meche, Executive Vice President, Operations,
Gulf Island Fabrication, Inc.

IPSCO remains focused on exceptional performance.

The past year was an outstanding one for IPSCO. But our success runs much deeper than record sales and profits. It is rooted in the long-term execution of business fundamentals.

IPSCO strives for top quartile performance, irrespective of market conditions. We are intent on being the most profitable producer in each market we serve by delivering exceptional service capability and through the advantages offered by our modern, low-cost facilities. We target our resources in selected areas of the steel market where we can be a major player and sustain competitive advantage. At all times, we aim to differentiate ourselves through superior execution, customer responsiveness, product quality and technical excellence. We have a strong track record of executing well.

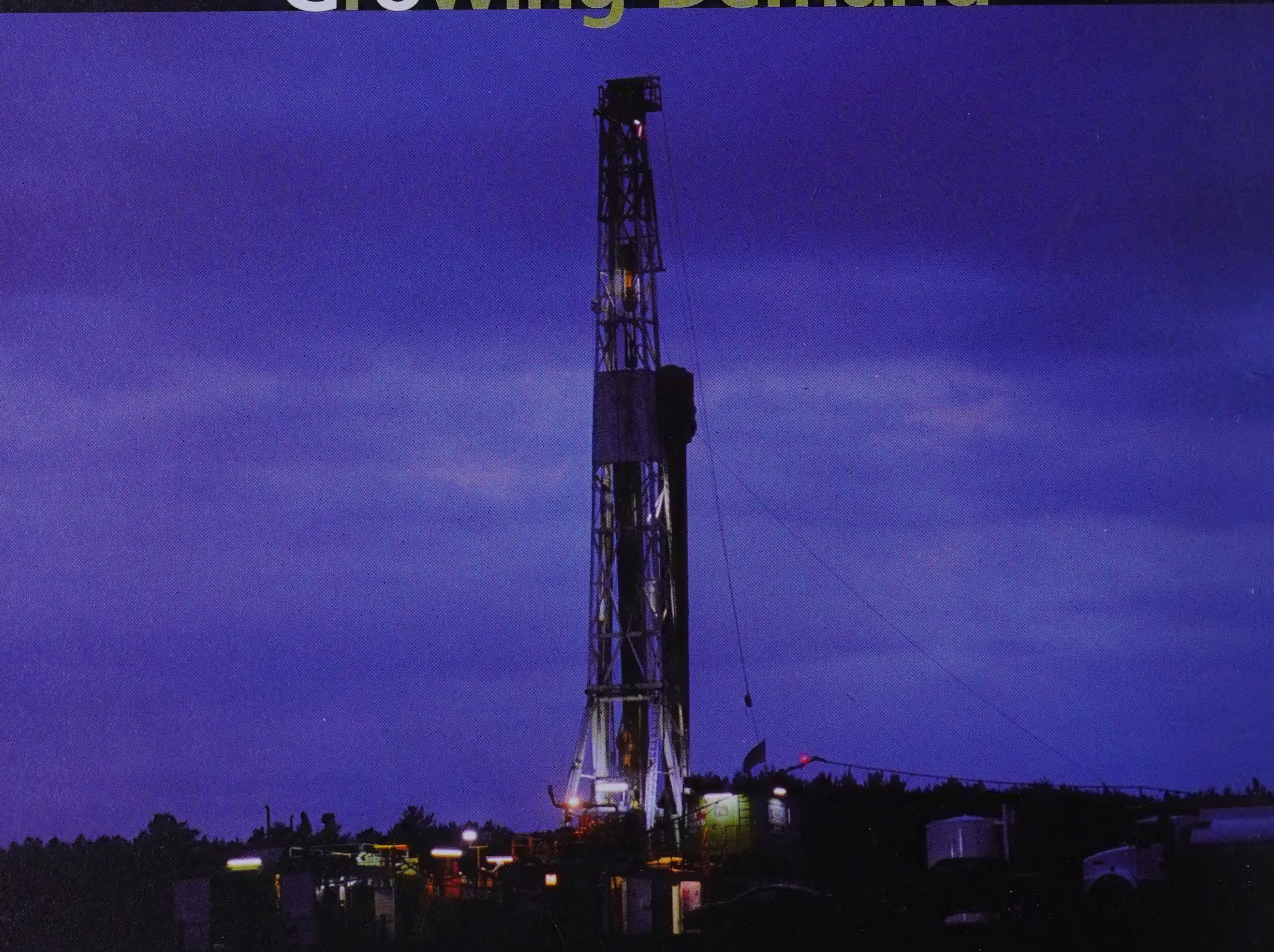
At IPSCO, we've proven ourselves – in good markets and bad. We are one of the most profitable steel companies in North America on an operating profit per ton basis, and in 2004, one of the most profitable by most measures. Over the past decade, which included a deep industry recession, IPSCO increased production more than threefold, committing over $1 billion to build major new facilities while remaining profitable each year and paying dividends to shareholders throughout.

When markets were poor, we had the vision and the ability to expand, to capture market share and improve our productivity while retaining our financial health. This was a key driver of our outstanding results in 2004.

OPERATING PROFIT PER TON
(dollars)

IPSCO's operating profit per ton is one of the highest in the industry.

Growing Demand



"As one of the most active drillers in North America, EnCana needs a lot of pipe. We consider IPSCO one of our key suppliers. Through our established relationship, IPSCO provides us with reliable service and a quality product to help us execute our active drilling programs."

– Ken Hornby, Manager, Supply Management, EnCana

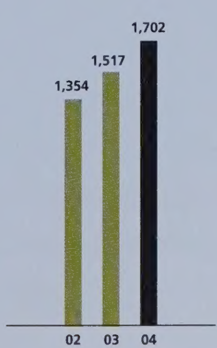
Success often seems like it happens overnight. But reality is different.

IPSCO constantly seeks to create long-term value in its business. We have a track record of doing our work ahead of time, successfully capturing opportunities through disciplined research and development and by consistently evolving our sales mix to higher value-added products.

Over the past few years we have continued to migrate away from commodity steels to value-added products, resulting in closer customer relationships and better margins. That strategy has paid off. In the fourth quarter of 2004, IPSCO led all major North American steel producers in operating profit per ton.

Early in 2004 we completed construction of a blast and paint facility at our Mobile Steelworks, increasing the product offering in plate. In July, we announced construction of a $45 million greenfield facility to produce in excess of 170,000 tons a year of heat treated plate at Mobile. Heat treated plate is used in manufacturing and construction where strength, hardness and toughness are required, filling a growing opportunity in the marketplace. Early in 2005 we approved a project which, when completed early next year, will increase our steel making capacity at the Mobile Steelworks by 200,000 tons.

In large diameter pipe, we continue to position ourselves for expected large-scale pipeline projects by improving the performance properties of our steel. IPSCO makes the steel that we then use to fabricate pipe – an important differentiator from some competitors. This gives IPSCO more control over the end product and we continue to extend this advantage through the recently announced Frontier Pipe Research Unit, dedicated to the acceleration of our large diameter capability.



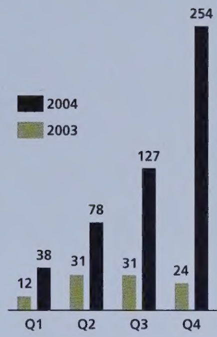
VALUE-ADDED TONS SOLD
(thousands of tons)

In 2004, more than half of tons sold involved value-added processing at IPSCO.

Going Full Circle

“FreightCar America and its predecessors have been building quality railcars for more than 100 years and the market for our products is strong and growing. As demand continues, so does our need for quality plate products and we know we can be assured of that quality when using IPSCO materials.”

– Frank Bernatt, Vice President, Purchasing, FreightCar America



QUARTERLY CASH FLOWS FROM OPERATIONS
($ millions)

Cash flows increased steadily through 2004.

Now we have financial muscle.

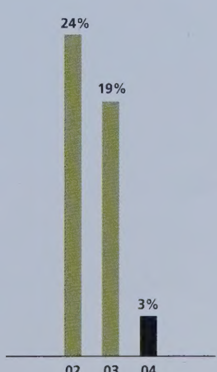
The numbers tell the story. In 2004, IPSCO generated cash flow from operating activities of $497 million, greater than its total cash flows for the past nine years combined.

This financial strength provides IPSCO with powerful strategic and operational flexibility, allowing the Company to pursue various long-term shareholder value options.

Over the past year, the Company has raised its quarterly cash dividend twice to CDN $0.12 per share. As part of its ongoing debt reduction strategy, IPSCO redeemed all $100 million of its 8.5% Subordinated Notes in November. This followed the redemption in May of its outstanding 5.50% Cumulative Redeemable First Preferred Shares, representing CDN $150 million of capital. In addition to reducing IPSCO's debt, the redemption of the preferred shares has the long-term effect of reducing common share dilution.

At December 31, 2004, IPSCO's net debt as a percent of total capital was 3% compared to 19% a year earlier. Total debt, less cash and cash equivalents, was $52.3 million. In 2005, IPSCO's maintenance capital expenditures are expected to remain relatively modest, as will be the case over the next few years as our assets are among the most modern in the industry.

The Company expects cash flows in 2005 to significantly exceed dividend payments and planned maintenance expenditures.



NET DEBT AS A PERCENT OF TOTAL CAPITAL

IPSCO has used strong cash flows to significantly strengthen its balance sheet.

Growth in Construction

2004 was a record year for major equipment manufacturers who use IPSCO plate, like Caterpillar. As momentum remains strong, IPSCO has continued to play a role in that success.

MAN-HOURS PER TON OF PLATE/COIL PRODUCED

Productivity gains have come from higher production and dedication to continuous improvement in all areas of activity.

Safety, productivity go hand in hand.

IPSCO's values and priorities remain unchanged. We have always focused on safety first because we believe it's simply not possible to achieve and sustain quality and productivity improvements without a safe working environment.

There was ample evidence of this in 2004. IPSCO achieved record production and productivity while experiencing the lowest recordable injury frequency rate in the Company's history, 19% lower than the previous year, which was already 25% better than in 2002. Lost time accident frequency dropped 40% in 2004 while accident severity dropped 58%.

At the same time, we have stepped up our continuous improvement program through Six Sigma and lean initiatives, completing a record number of projects during the year and increasing the number of employees trained in Six Sigma leadership. The program now extends to all major IPSCO production activities and has contributed significant savings and quality improvements to help maintain our low cost platform.

With the construction of two major steelworks and other processing facilities over the past decade, IPSCO's assets are among the most modern in the industry. Our man-hours per ton of steel produced, a key indicator of productivity, is highly competitive in North America and globally.

Another critical element in achieving productivity is rewarding it. Production employees are eligible for bonuses related to safety, as well as profit-motivating plans that focus on prime tons produced, shipments and Company earnings. All employees are also eligible for stock ownership plans.

Six Sigma and lean initiatives generate savings

In 2004, 11 Six Sigma and lean initiatives resulted in significant cost reductions.

A strict focus on value creation

"Strong management and skilled people make good companies."

2004 was a record year for IPSCO, which has attracted a great deal of investor attention. Our share price more than doubled during the year, closing at $47.80 on the New York Stock Exchange (NYSE) and CDN $57.31 on the Toronto Stock Exchange (TSX).

The market for our shares broadened substantially as steel stocks caught the attention of more U.S.-based investors. Volume on the NYSE has risen dramatically, interest from the investment community has increased, the number of IPSCO shares owned by U.S. institutions increased throughout the year, and requests for information about IPSCO are up sharply. Making IPSCO better understood continues to be one of our goals.

Since the start of 2004, we have taken important steps to both create and deliver long-term value to shareholders. We increased the dividend rate twice, taking it to CDN $0.48 annually from CDN $0.20. In addition, we redeemed $100 million in Subordinated Notes and CDN $150 million in preferred shares, reducing IPSCO's debt and eliminating some common share dilution.

In major surveys that track corporate governance practices, IPSCO again performed very well, scoring in the top quartile. Our absolute and relative rankings improved in both the *Shareholder Confidence Index* published by the Joseph L. Rotman School of Management at the University of Toronto and in the annual *Globe and Mail* survey of Canadian public company practices.

IPSCO remains committed to meeting or exceeding all the requirements of securities regulators, in both the United States and Canada. It's a conviction that comes from a core belief that good governance helps make good companies.

Strong management and skilled people also make good companies and IPSCO is fortunate in this regard. On behalf of the Board, I'd like to thank all our employees for making 2004 financially successful. I'd also like to congratulate them on continuing to improve IPSCO's impressive safety record. The effort from our employees in 2004 should pave the way for continued success in the coming years.

Burton Joyce
Chairman of the Board
February 24, 2005

2004 was great but it's business as usual at IPSCO

“IPSCO remains in a sweet spot in the industry.”

When I wrote my letter to shareholders a year ago in our 2003 annual report, I was confident that better times were coming. As it turns out, steel's renaissance is even better than I expected.

In 2004, IPSCO revenues almost doubled to $2.5 billion and net income shot up to $439 million or $8.24 per diluted common share compared to $0.09 in 2003. We generated $497 million in operating cash flow in 2004, more than the past nine years combined.

Taking a long-term view

While 2004 was an outstanding year – both for the steel markets and IPSCO specifically – it's important not to be overwhelmed by market conditions at any point in the cycle. Smart companies have the ability to stand back and act on a longer-term view.

As I reflect on the current environment, here's what I see as we move into 2005.

- Some fundamental changes have occurred in the steel business to indicate that when the next down cycle comes – and come it must – it will be nowhere near as severe as those in the recent past. While we've always been cash flow positive, even in the worst of downturns, our improved financial position and operating model should further enable us to maintain profitability regardless of the environment.
- IPSCO remains in a sweet spot in the steel industry. The outlook in our two main product areas, plate and pipe, is stronger than for most of our competitors. Supply/demand fundamentals, our newer, more flexible assets and our operational performance suggest we will continue to outperform our peers.

In fact, we believe the tremendous profit surge in the industry has overshadowed several IPSCO-specific strengths that will continue to serve us well longer-term.

A reliance on fundamentals

First, IPSCO has demonstrated impressive earnings power. In the fourth quarter of 2004 we posted operating income of $299 per ton, more than any other major steelmaker in North America. We are an extremely efficient producer focused on providing steel for products where demand is strong and has staying power – such as transportation and heavy industrial equipment, as well as large and small diameter pipe for the oil and gas industry.

Second, we know the integration between our steel, coil processing and tubular operations works. IPSCO concentrates on both heavier gauge steel and energy tubular products, giving us additional stability through the cycle and incremental earnings power when markets are strong. This integration also gives us important technical and supply advantages. We can better control the properties and quality of the steel that we use to fabricate our pipe, for instance. And we can assure our customers of better access to product when markets are tight because we make our own steel. Our "steel short" supply strategy gives us added flexibility to source steel ourselves or from others, depending on what's optimal for IPSCO at any point in time.

Finally, IPSCO has demonstrated an ability to create shareholder value, even in difficult times. We have tripled production capacity through greenfield expansion during the past decade, while remaining profitable and paying dividends to shareholders. When the upturn finally came, IPSCO was more than three times larger in production capacity, with a strong footprint in both the United States and Canadian markets. We earned leading market shares in key product segments and a broad, committed customer base. When money could be made, we were ready to capitalize on those opportunities.

Focused on the next opportunities

We are now focused on the opportunities that lie ahead, with the same IPSCO spirit and business philosophy that drove our success in 2004. Our performance in 2004 has given us financial strength and positions us for continued performance in 2005.

We intend to continue applying the same rigorous and disciplined approach to the use of capital as we did when resources were far fewer. While we have no plans for any additional greenfield steelworks development, we are considering increases to capacity in our existing facilities. In addition, we have planned for a series of modest capital expenditures in 2005 aimed at increasing revenue generated from our value-added focus and taking advantage of various cost reduction opportunities.

For example, a new $45 million facility to produce 170,000 tons a year of heat treated plate at our Mobile Steelworks is scheduled to begin operations by the end of this year. Heat treated plate offers extra strength, hardness and toughness for special manufacturing and construction applications, filling a growing need in the marketplace. Our goal is to continue to increase the proportion of our sales of value-added steel.

We are also continuing to position ourselves to participate significantly in expected large-scale northern pipeline projects. We are looking to further leverage our advantage as an integrated steel maker and pipe fabricator, by constantly improving the performance properties of the steels that go into our pipeline products.

Using resources wisely

Our performance in 2004 and current financial position provide us with the flexibility to pursue additional growth drivers for our business. IPSCO management and the Board will continue to prudently assess all potential uses of cash to determine which alternatives create the most long-term value for shareholders. In 2004, we reduced debt and common share dilution by redeeming $100 million in Subordinated Notes and CDN $150 million in preferred shares. At the end of 2004, our net debt as a percent of total capital had decreased to 3% from 19% at the end of 2003. We doubled IPSCO's dividend to a quarterly rate of CDN $0.10 per share in October and increased it again in February 2005 to CDN $0.12.

Steel remains a cyclical business. Demand will have its ups and downs. But with the industry restructuring that has occurred in North America over the past decade and the emergence of major new Asian economies, it's clear the ups will be more fruitful and the downs less traumatic.

Our job is to continue positioning IPSCO as a top quartile performer, both operationally and in creating long-term shareholder value. We will accomplish this not by being the largest steel company, but because we are leaders in what we do and how we do it.

In 2004, there was a greater recognition of this in U.S. equity markets as our trading volumes rose significantly on the New York Stock Exchange and more U.S.-based funds became IPSCO owners.

This is a very appropriate time to thank the 2,500 people of IPSCO for their ingenuity, skill and perseverance. Their work has produced tremendous results in 2004, clearly demonstrating the strong platform that IPSCO has built for the future. I look forward to reporting our progress to you, our shareholders, as we deliver on our plans for profitable growth.

David Sutherland

David Sutherland
President and Chief Executive Officer
February 24, 2005

Financial and Operating Highlights

Years ended December 31 (U.S. dollars)

	2004	2003	2002
Financial ($ millions)			
Sales	**2,452.7**	1,294.6	1,081.7
Net income	**438.6**	16.6	21.7
Earnings per diluted common share (dollars)	**8.24**	0.09	0.22
Working capital	**836.8**	451.1	321.9
Long-term debt, excluding current portion	**393.1**	401.2	342.2
Capital asset expenditures	**29.1**	13.5	34.2
Operating (thousands of tons)			
Plate and coil tons produced	**3,383.3**	3,023.7	2,783.2
Finished tons shipped	**3,561.0**	3,137.1	2,896.9
Man-hours per ton of plate or coil produced	**0.70**	0.75	0.82

Key Events in 2004

October 27 – IPSCO doubles its quarterly cash dividend from CDN $0.05 to CDN $0.10.

October 20 – IPSCO announces Mobile, Alabama as the location to build its new continuous plate heat treating operation.

September 2 – IPSCO commissions its second pipe finishing facility in Red Deer, Alberta.

August 31 – IPSCO successfully produces 123" wide hot rolled coils at its Mobile Steelworks, providing the widest coil production offering in North America.

August 20 – $15,000 worth of supplies for area schools was collected during the Company's first ever "Fill the Bus" campaign which encouraged the public to fulfill wish lists from area schools.

July 7 – On behalf of the American Iron Steel Institute, IPSCO's President and CEO David Sutherland signed a historic one-year alliance with the U.S. Occupational Safety and Health Administration to promote safety for North American steel workers.

May 3 – As part of a major environmental upgrade, IPSCO announces a CDN $14 million investment in a new baghouse at its Regina Steelworks.

Plate

Key facts

- One of the largest producers in the United States and the world.
- All three of IPSCO's steelworks can manufacture similar products, providing greater flexibility and efficiency.
- End-products include storage tanks, railroad cars, barges, ships, bridges, transmission poles, farm equipment, construction vehicles, truck bodies, pipe, and much more.

Pipe

Key facts

- One of the largest producers in North America.
- Diameters from 1 1/2 inches up to 80 inches.
- End-products include oil and gas well casing and tubing, small and large diameter line pipe, plumbing pipe, water and sewage pipe, and hollow structural sections.

Did you know?

- IPSCO was incorporated in 1956 as Prairie Pipe Manufacturing Co. Ltd.
- The Company's three steelworks have annual total capacity of 3.5 million tons.
- All sites have ISO 14001 environmental management certification.
- IPSCO is a major steel recycler, with scrap consumption totalling about 110% of steel production.
- Over the past few years, IPSCO has donated about 1.5% of its after-tax profits to community and charitable endeavors.

Mobile
1.2 million tons shipped

Regina
946,000 tons shipped

Montpelier
1.1 million tons shipped

IPSCO Locations

Steel · Tubular · Coil Processing · Scrap Processing · Operational Headquarters

Location	Description	Output Capacity (tons)
Regina, Saskatchewan	Steelworks Pipe mills Cut-to-length line	1,000,000 650,000 150,000
Montpelier, Iowa	Steelworks	1,250,000
Mobile, Alabama	Steelworks	1,250,000
Calgary, Alberta	Pipe mill	300,000
Blytheville, Arkansas	Pipe mill	300,000
Camanche, Iowa	Pipe mill	250,000
Red Deer, Alberta	Pipe mill	155,000
Geneva, Nebraska	Pipe mill	120,000
Toronto, Ontario	Temper mill and Cut-to-length line	300,000
St. Paul, Minnesota	Temper mill and Cut-to-length line	300,000
Houston, Texas	Temper mill and Cut-to-length line	300,000
Surrey, British Columbia	Cut-to-length line	150,000

Certain statements contained in this Annual Report and Management's Discussion and Analysis are "forward-looking." That is, they relate to management's current view of events and financial performance for periods following December 31, 2004. Forward-looking statements can be identified by the use of words such as "believes," "expects," "may," "will," "should," "seeks," "approximately," "intends," "plans," "estimates," and "anticipates," or the negative of such words, as well as by discussions relating to strategies, plans or intentions. All forward-looking information is subject to business risks and uncertainties that could cause IPSCO's actual results to differ materially from those expressed. These factors include, but are not limited to, the following: changes in both North American and worldwide supply and demand for steel products, as well as IPSCO's specific steel products; changes in competitive pressures with other steel makers and makers of other products having similar applications; global and regional demand for raw material inputs necessary to make steel products such as scrap metal, alloys, natural gas, and electricity; increases in freight costs; fluctuations in currency and exchange rates; changes in capital markets; corporate acquisitions; the outcome of legal proceedings; and changes in environmental, labor, trade and other laws and regulations. As a result of these and other factors, no assurance can be given as to future events and readers should not place undue reliance on such statements. IPSCO assumes no responsibility for the accuracy, completeness or updating of forward looking statements, other than as may be required by applicable law.

Additional information relating to IPSCO may be found on SEDAR at www.sedar.com and on EDGAR at www.sec.gov/edgar.shtml

IPSCO and Its Business Environment

IPSCO is a North American steel and pipe producer with facilities and process equipment located at 23 sites throughout the United States and Canada. These facilities produce carbon steel slabs, hot rolled discrete plate and coil, cut-to-length plate, finished tubular products and processed scrap.

IPSCO operates three steelworks: Mobile, Alabama; Montpelier, Iowa; and Regina, Saskatchewan. All three use electric arc furnace or mini-mill technology to convert scrap into liquid steel. Alloys are added to create a wide variety of grades. The liquid steel is cast into slabs and subsequently hot rolled into discrete plate or coil. Our steelworks can produce discrete plate in thickness from 3/16 to 4 1/2 inches and coil in thickness from 1/10 to 3/4 inches. Widths range from 48 inches to 120 inches for discrete plate and 40 inches to 120 inches for coil. Coil may be sold directly to customers or further processed at IPSCO's cut-to-length and tubular facilities.

Five coil processing locations produce cut-to-length plate to customer requirements. Cut-to-length products are produced from steel coils of various widths, thicknesses and grades. They are cut to specific lengths to meet customer requirements in pieces from 8 feet to over 60 feet. IPSCO produces a wide range of products in yield strengths as high as 100,000 pounds per square inch, thicknesses up to 1/2 inch and widths as wide as 96 inches.

Eight pipe mills at six locations use coil to produce electric resistance weld (ERW) tubular products that range from 1 1/2 inches up to 24 inches in diameter and helically formed, double submerged arc welded tubular products greater than 24 inches.

Our tubular and cut-to-length products are produced primarily with our own coil at the downstream facilities allowing us to capture increased margins on our steel products. IPSCO is further able to optimize utilization of these facilities and capitalize on favorable market conditions by purchasing additional coil from third party vendors.

IPSCO has over 600 North American customers using steel and pipe primarily in the energy, agricultural equipment, transportation equipment, heavy machinery, and construction industries. Two-thirds of the Company's sales are made to U.S. customers. IPSCO's wide assortment of plate product widths, lengths, thicknesses, and grades are used by end customers to make construction and farm equipment, rail cars, barges, ships, storage tanks, bridges, structural poles, wind towers, large diameter pipe, and a host of other products.

Tubular products include oil and gas well casing and tubing (OCTG); line pipe for gathering oil and gas from wells, transmitting these products long distances, and for final distribution to end-customers; industrial pipe for low pressure water and air distribution; and structural tubular products for building, manufacturing and construction applications, most often in square or rectangular cross-sections called hollow structural sections or HSS.

Freight is an important cost for any steel and pipe producer. Our facilities are located across North America within regions of customer concentration and raw material supply minimizing both inbound and outbound freight costs.

Using centralized sales management, IPSCO markets its plate, cut-to-length and pipe products through a number of sales and service locations.

IPSCO employs about 2,500 employees and uses a number of performance incentives to reward them for cost, efficiency, service, quality improvements, safety and profitability. About 40% of IPSCO's employees, primarily in Canada, are represented by trade unions. Expiration dates for the collective bargaining agreements vary between 2006 and 2007.

We manage our business to maximize total corporate returns by optimizing the allocation of steel making capacity, and augmenting steel production with coil purchases for use in our downstream facilities. A change in the sales of one particular product line may indicate a change in demand or a deliberate decision to adjust sales of that product in order to generate a more profitable product mix. Decisions are made on the basis of:

1) Continuing and expanding customer relationships,
2) Incremental production costs and revenues,
3) Freight consideration, either inbound or outbound, and
4) The consideration of longer-term strategic requirements.

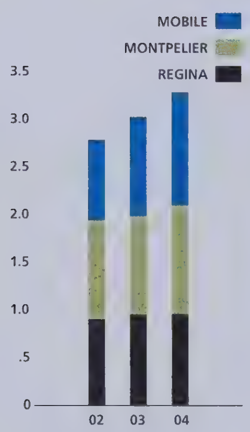


PLATE AND COIL TONS PRODUCED
(millions)

2004 was the eighth consecutive record year of production.

IPSCO Products

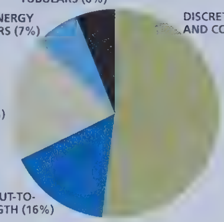
Over the last decade, IPSCO has invested heavily to build modern, highly efficient facilities while continuing to reinvest in existing facilities. Since 1996, over $1 billion has been invested in new steel mill facilities located in the United States. Our strategy has been to compete on a low cost basis in a larger geographic area with broader markets. The Montpelier Steelworks shipped its first commercial ton in 1997, with the Mobile Steelworks doing so in 2001. All of our steelworks employ Steckel mill technology, a design which allows us to vary production between coil and discrete plate in response to changing market conditions, optimizing mill performance and lessening commercial risk. The U.S. investments added 2.5 million tons of plate and coil capacity, increasing our total capacity to 3.5 million tons.

The Mobile and Montpelier steelworks are sited close to end users, raw material sources, and good transportation systems (including river systems to accommodate barge traffic), all of which minimize freight costs. In addition, all three of IPSCO's steelworks manufacture similar products, providing additional flexibility, versatility and efficiency. The combination of new technology, production optimization, product mix flexibility, and freight minimization results in IPSCO being one of the lowest cost producers of steel in our product ranges as well as a leader within the industry in terms of operating profit per ton.

A significant portion of the coil produced at our steelworks is used at our cut-to-length facilities. Our facilities are close to customers, including service centers, which purchase the product for resale, fabricators, OEM's, and job shops, which further process the steel. Three of our facilities are temper cut-to-length lines, which produce product with flatness and surface specifications, and other qualities needed in certain manufacturing processes.

We estimate the North American market for plate in sizes that IPSCO produces to be approximately 12 million tons. This market includes discrete carbon plate, high alloy plate, and coiled or cut-to-length plate. We also estimate that IPSCO and its two primary North American competitors, Nucor Corp. and International Steel Group (ISG), supply more than 75% of this market, with IPSCO holding the largest share. The remaining 25% of North American consumption is satisfied from imports or other North American producers.

IPSCO has positioned itself to be a major supplier in the energy tubular markets and industrial pipe markets in the United States and Canada, shipping 1.1 million tons in 2004. About 75% of IPSCO's tubular shipments in 2004 were energy related. Our primary source of material for tubular production is the coil produced by our steelworks. Additional requirements are sourced externally, with 300,000 tons purchased from third parties in 2004.



SALES BY PRODUCT

1.1 million tons of tubular products were shipped in 2004, 32% of total shipments. Value-added product accounted for 48% of tons shipped.

The energy tubular product line has three major components – oil and gas well casing and tubing, line pipe, and large diameter pipe, which is a subset of line pipe distinguished by size. OCTG is used in the exploration, extraction, and production of oil and natural gas from well sites. Line pipe is used in the gathering, transmission and distribution of extracted oil and natural gas to end users. While the U.S. market for energy tubulars is larger than the Canadian market, it is fragmented among more competitors. Nevertheless, IPSCO has made substantial gains in the United States in the last two years.

IPSCO has developed a strong network of distributors and customers within the North American OCTG market. We estimate the North American market for OCTG to be 3.7 million tons and IPSCO's share of this market to be 13%. Major competitors in the North American market are Maverick Tube Corporation, NS Group Inc., Tenaris, S.A., Lonestar Steel Company, and a high percentage of imports, primarily from the Far East.

Large diameter pipe is distinguished from other IPSCO line pipe products by its size, its cost, and the unevenness in demand for this project type business. Large diameter pipe is used in transporting large amounts of oil and gas across long distances. Demand for this pipe is generally driven by the need to transmit production from newly developed reserves, the need to meet demand greater than current oil and gas delivery systems can handle, or replacement needs related to existing large diameter lines.

Large diameter pipe product is produced at our Regina facility. The Western Canadian location has provided IPSCO with a freight advantage in the northern part of the continent but IPSCO is able to compete effectively elsewhere as evidenced by the East Texas Expansion and Cheyenne Plains projects completed in 2004. Competitors in North America are Stupp Corporation, Berg Steel Pipe Corporation, Oregon Steel Mills Inc. (Camrose) and American Cast Iron Pipe Company (ACIPCO). IPSCO is unique as a large diameter pipe producer as it uses its own steel to produce finished product.

Our industrial pipe product is produced at various tubular facilities depending on size and shape. Hollow structural product in various sizes and shapes is made at the Geneva, Nebraska; Red Deer, Alberta; and Regina, Saskatchewan facilities. Most of our facilities are capable of producing standard pipe in various sizes. IPSCO has a small share of the North American industrial pipe market.

IPSCO Strategy

IPSCO is a supplier of steel intensive goods and services providing long-term value primarily to customers in the energy, transportation equipment, and heavy equipment and construction sectors. IPSCO is an interdependent steel and pipe company, uniquely invested along a single value chain from raw materials through steel manufacturing and processing, with particular expertise in pipe.

We attempt to minimize the volatility in our business and maximize earnings through our low cost platform, flexibility, and ability to move finished production between plate, coil, and tubular products based on market trends. We believe that reduced market risk will be rewarded with higher multiples in the capital markets.

We strive to outperform our peer group with respect to return on capital – a measurement directly related to shareholder return. To accomplish this we are determined to remain one of the lowest cost producers in each market we serve.

The core effort of our strategy is to differentiate IPSCO clearly by superior execution of a customer focused commercial strategy, delivery to market, product quality, technical competence and financial performance. We build a high brand presence in the markets we serve in order to support and extend our ability to differentiate "who we are" and "what we do" from others in the marketplace.

IPSCO's strength derives not only from the intrinsic competitive abilities of each of the activities along our value chain, but also from the synergistic combination of our facilities, resulting in better service to our customers, good penetration in competitive markets, and a set of alternatives which provides a strong defense in difficult markets. We are vigilant about maintaining our low cost in each of our activities and strive to be among the lowest cost producers in the world. With this defense, we are capable of engaging in head-to-head competition with the best in the business at every level of industrial activity undertaken.

The essence of IPSCO's strategic design is to operate "steel short" which means we have more outlets for steel product than steel capacity. We plan to continue to increase our value-added mix of products without adding a greenfield steel making facility. We will continue to secure outlets for products either by close customer collaboration, partnership, joint venture or ownership. These strong connections allow us to manage price fluctuations in broad commodity markets.

IPSCO is flexible. It has the ability to adopt a variety of operating configurations to match market and competitive environments. Our employees are trained to operate within the uncertainties of highly competitive industries. We devote considerable resources to making sure that employees have the skills and motivation to manage both the individual units and the integrated whole to maximize our competitive and financial performance.

IPSCO's financial goals derive directly from our operating configuration and practices. We aim not only to achieve high returns relative to the steel industry, but also to moderate the cyclical performance typical of most steel producers.

To do so our capital investments are directed toward:

- Differentiating our goods and services to maximize revenue for each unit of output and to limit exposure to the commodity auction,
- Keeping our cost among the lowest in North America,
- Stabilizing our earnings through a diversity of end markets, creating a buffer for cyclical swings, and
- Growing our company.

IPSCO has targeted a single geography – North America – where our focus, differentiation and value chain oriented strategy will have maximum effect. However, we actively seek ways to extend the scope of our ability to compete in, and meet the demands, of our chosen sector. Where it enhances our opportunity to grow shareholder returns, we may expand outside North America.

Key Performance Drivers

The North American plate market has consolidated in recent years. The consolidation has served to permanently remove capacity or, in some cases, idle it pending restructuring. Supply availability is a key driver in IPSCO's plate product performance. The reduction of both international and domestic supply has been a factor in recent favorable plate pricing conditions.

North America historically has consumed more steel than it produces and has therefore supplemented consumption with imports. Although imports were higher in 2004 than the prior year, the weakened U.S. dollar has reduced the attractiveness of the North American market to imports. A strong global market, accentuated by China's economic growth and subsequent high levels of steel shipments to that region, have combined with recent North American economic expansion to reduce steel supply in North America.

IPSCO's financial performance historically has shown a direct correlation to increased sales of energy tubular or large diameter products. By far, the most important factor in this year's results has been the margin expansion and the strength of U.S. demand for plate products. However, IPSCO has a large and continuing presence in tubular markets, shipping over 1 million tons in 2004. Demand for energy tubulars will remain a key driver for IPSCO's success.

Demand for IPSCO's large diameter pipe product depends on development of new oil and gas fields or expanding geographic markets, which necessitate the construction of new delivery systems. To a lesser extent, demand is driven by replacement needs or optimization of existing pipelines. When orders for new pipeline projects are obtained, they are generally substantial due to the long distances covered by the pipeline.

IPSCO's major variable costs are steel scrap and alloys for the three steelworks, and hot rolled coil for the pipe mills and coil processing facilities. Higher plate and pipe prices are generally associated with higher scrap prices. That historical correlation was strained during 2003 when demand for IPSCO's non-energy products made from IPSCO produced steels was low, while stronger domestic and offshore requirements for raw materials drove up scrap costs, and resulted in lower product margins. Beginning in 2004, IPSCO, like many steel producers, introduced surcharges to offset the impact of increases in

scrap. The surcharges were based on monthly published scrap purchasing indices and essentially neutralized the impact of scrap price increases on margins in 2004. It is anticipated that the surcharge mechanism will remain in place in 2005.

IPSCO further manages scrap costs using a number of approaches. For example, we enjoy vertical integration through ownership of General Scrap Partnership, a Canadian scrap metal operation with 11 collection sites, five of which include shredders. In addition, IPSCO cultivates strong business relationships with most major scrap yards and brokers.

Electricity and natural gas are also important variable costs for IPSCO. We have entered into long-term supply contracts for electricity and hedge natural gas through futures and forward contracts to help stabilize prices.

In the last 10 years IPSCO's workforce has increased by 734 employees or 42%. In this period, production volumes have increased by 2.3 million tons or nearly 200%. Consequently, man-hours per ton required have declined by 18%. The investment in new facilities and technology in the United States, combined with training of production employees has allowed us to expand and improve efficiency. IPSCO maintains a high rate of employee retention by providing industry competitive wages supplemented by profit driven incentives for achieving targets for production, safety, and shipments.

Economic success also rests, in large part, with the efficient absorption of the substantial fixed costs at each steel facility. Optimum absorption requires producing at high throughput and utilization rates. IPSCO maintained high utilization rates in 2004 as a result of continued market penetration, diversification and effective use of our steel short strategy. In particular, our newer facilities, such as the Mobile Steelworks and the Blytheville Pipeworks, were again able to increase output as production teams gained more experience.

Still another key performance driver is the ability to effectively control working capital – primarily customer receivables, inventory and vendor payables. Most products from the three steelworks are manufactured only when a commitment is received, either from a customer or due to an internal requirement to provide coil for IPSCO's own downstream processing lines. Production based on demand helps minimize finished inventory levels. However, some pipe products, such as OCTG, may be produced in advance of orders and made available at sites that are convenient for the customer. This is especially important given the seasonal well drilling cycle for the Canadian energy market, as well as the short time interval between order dates and required delivery. Canadian well drilling is usually most active in the late fall and winter and slowest during the early spring thaw.

Prudent accounts receivable management is also critical given the cyclical nature of the steel business. IPSCO uses a number of techniques to minimize credit risk starting with a thorough and continuous monitoring of customers who request credit. This is combined with variable payment terms and close attention to account detail.

Action Plan and Capability to Deliver

Production

After completion of the Mobile Steelworks in 2001, IPSCO reduced capital expenditures to base level requirements to conserve cash during the poor market conditions which existed through the end of 2003. These lower capital expenditures were possible due to the low average age of our assets and our adherence to preventive maintenance programs at all of our facilities. As a result, capital expenditures have been $40 million or less in each of the last three years. In 2005, IPSCO will increase maintenance capital expenditure to approximately $50 million consistent with our high levels of utilization. In addition, IPSCO continually reviews potential projects that target cost reductions, capacity, product line expansion, and strategic support. Before approval, these projects must exceed our risk adjusted cost of capital.

In 2003, IPSCO formed an alliance with Blastech, Inc., to provide blast and paint processing service for steel plate. Construction of a new blast and paint facility was completed early in 2004 and the facility began operating in February 2004, increasing the value-added product range for our Mobile plate operations.

Following our September 2004 announcement, we are well-advanced in the development of a $45 million steel plate Quench, Temper and Normalizing (or "Heat Treat") facility at the Mobile Steelworks. Normalizing operations are scheduled to begin in the fourth quarter of 2005 followed by quench and temper operations in the first quarter of 2006. Heat-treated plate is used in manufacturing applications, such as construction equipment, where strength, hardness and toughness are required. These products provide additional value to current product offerings and will displace commodity grade products in our sales mix.

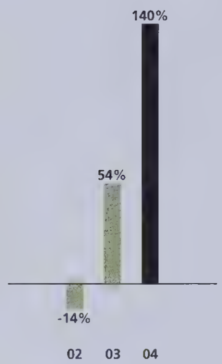
Also, in September 2004, a second pipe finishing facility was commissioned at IPSCO's pipeworks in Red Deer. The new line doubles the Red Deer Work's finishing capacity for energy product, optimizing production and expanding our product range. Additional pipe finishing capacity is being planned.

We constantly benchmark our maintenance and operating costs against industry and facility standards. In addition to lean manufacturing, IPSCO employs a Six Sigma program and has trained and deployed nine "Black Belts" on numerous projects throughout our steel and tubular facilities. This program has contributed significant savings to help maintain our low cost platform.

Product Development

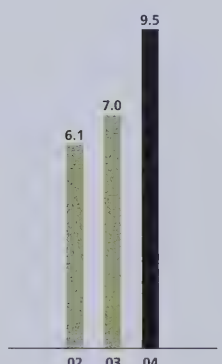
IPSCO is constantly evaluating new ways to add value to our product lines. With focused development from our research personnel and development engineers based on input from our customer base and sales force, we are expanding our plate product line to include certain niche or specialty steels, replacing commodity grade products. The heat treat products to come on line in 2005 and 2006 will also add to this product mix.

Early in 2005, IPSCO announced an investment of $3.5 million in a state of the art research unit specifically dedicated to accelerating development of the Company's large diameter capability. This new Frontier Pipe Research Unit will also be committed to research related to other energy tubular products such as OCTG for frontier environments and other advanced energy sector steel products.



TOTAL ANNUAL RETURN ON IPSCO SHARES

The rationalization of market supply coupled with strong demand have resulted in exceptional returns to our shareholders.



ANNUAL DIVIDENDS PAID
($ millions)

IPSCO has paid dividends every year since 1970.

Motivated Employees

Senior management compensation is linked to shareholder return through share based incentive plans. Managers are linked to shareholder return through incentive plans based on Company performance as well as personal performance initiatives that are directly related to IPSCO's financial performance. Production employees in different facilities are eligible for incentive pay that relates to factors such as prime tons produced, safety, and Company profitability. All employees are eligible for plans that promote stock ownership.

Investor Relations

First and foremost, IPSCO is focused on running a profitable business with steady growth. To further create value, we will explore all available options, including dividend levels, investment in facilities, strategic initiatives related to our core business and share buybacks. IPSCO has paid cash and stock dividends on our common shares for the last 35 years, through the troughs and peaks of each cycle in that period, and continues to maintain this priority. In October 2004, IPSCO increased its quarterly dividend level to CDN $0.10 per share and in February 2005, increased it again to CDN $0.12 per share.

IPSCO's stock trades on both the NYSE and TSX. Senior management strives to meet with major stakeholders at least once a year and, in 2004 held quarterly meetings in the United States and Canada. This has contributed to greater recognition in the U.S. equity markets compared to a year ago with a fivefold increase in U.S. market liquidity.

Corporate Governance

Good corporate governance is critical in maintaining investor confidence. For two consecutive years IPSCO has scored in the top 10% in two major corporate governance surveys, the *Shareholder Confidence Index* published by the Joseph L. Rotman School of Management and the *Globe and Mail* survey of Canadian public company practices. Our commitment to corporate governance pre-dates the *Sarbanes-Oxley Act* of 2002 of the United States Congress and meets or exceeds current regulatory requirements. All material financial public disclosures are reviewed prior to release by our disclosure committee and the Board's Audit Committee. All relevant managers are involved in the CEO/CFO certification process for each quarter and at year end. IPSCO has a non-executive chairman and our Board membership is independent of management with the exception of the Chief Executive Officer. Our Audit Committee has several individuals who meet the qualifications of "financial expert" under NYSE regulations.

Government and Industry Relations

IPSCO is always mindful of both domestic and global political and industry situations that may impact the availability of raw materials, the enforcement or non-enforcement of trade laws, and the state of the global steel market.

In order to keep abreast of these situations IPSCO is involved with a number of trade associations and industry advisors in the United States and Canada, and has developed its own government relations office in Washington D.C.

Designated IPSCO employees actively participate in these associations in order to increase the industry voice in government deliberations, ensure that trade is fair and open, that environmental stewardship remains a priority, and that industry participants work together to share information on improving employee safety. Using these tools, IPSCO is able to better assess issues that may affect the Company's business.

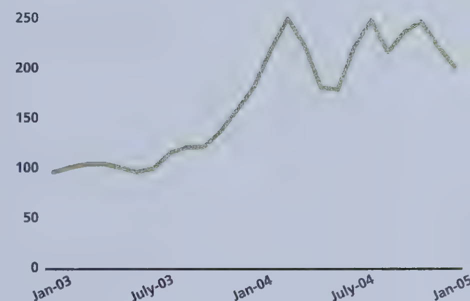
In 2004, our Chief Executive Officer, David Sutherland, was appointed Chairman of the Board of the American Iron and Steel Institute, a North American trade association that has members from all the NAFTA countries. Mr. Sutherland also sits on the board of the Steel Manufacturers' Association that works specifically with the Electric Arc Furnace segment of the North American steel industry. He was recently named to the board of the National Association of Manufacturers (U.S.) and is a board member of the International Iron and Steel Institute.

Through Mr. Sutherland's and other employees' work with these and other organizations and our increased contact with North American policy makers, IPSCO is able to stay informed and provide information to policy makers on the needs and issues impacting IPSCO in the North American steel market.

2004 Steel Industry Events

Increased global demand for steel and steel inputs was the most significant development in the industry in 2004, specifically with respect to pricing. China was the world's leading importer of steel and steel making raw materials during 2004. The high level of this demand, which increased through 2003 and 2004, drove prices significantly higher for iron ore, coke, scrap, alloys and finished products, including freight costs for transporting these commodities.

Steel industry restructuring continued during 2004, although at a slower pace than in 2003, further constraining supply. Stelco Inc. filed for bankruptcy protection and the status of its facilities awaits final bankruptcy court determination. Mittal Steel Company announced plans to acquire ISG, itself a consolidator of U.S. capacity in 2002. Nucor acquired Tuscaloosa Steel Corp. We believe that IPSCO will continue to be competitive against these new, combined, and/or restructured operations.



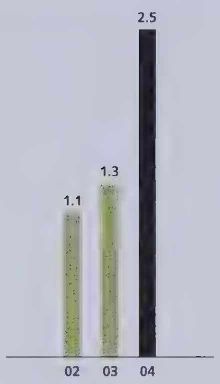
NO. 1 HEAVY MELT, CHICAGO
($/gross ton)

Scrap prices began to rise in the second half of 2003 and increased rapidly through 2004.

The U.S. dollar weakened against the Euro (8%), the Japanese yen (4%) and the Canadian dollar (7%) during 2004. The exchange differentials increased the U.S. cost of imported steel from these sources and decreased the price offshore buyers had to pay for U.S. exports. IPSCO has operations in both the United States and Canada, and uses the U.S. dollar as its reporting currency. In general, IPSCO benefits modestly from a weaker U.S. dollar. During 2004, however, the weaker U.S. dollar increased the demand for North American scrap from overseas markets and resulted in higher scrap exports and higher scrap costs for IPSCO and the North American steel industry, generally. Although imports to the United States were higher in 2004 than in the prior years, the weakened dollar mitigated the impact of this activity.

Demand pressures continued throughout the year generating high and volatile monthly scrap prices. Scrap prices, which began to increase rapidly in the second half of 2003, continued to rise in 2004. For example, scrap pricing per ton for Chicago #1 heavy melt was $220 in December of 2004, 36% higher than the prior December. These large increases in scrap prices led IPSCO to announce raw material surcharges to allow adequate access to raw material and offset any additional margin deterioration due to raw material increases. Integrated steel producers, who use less scrap per ton than mini-mill producers like IPSCO, were affected to some extent by these increases, and by higher coke and iron ore prices. Consequently, most steel producers adopted some form of surcharge mechanism in 2004.

As a result of these factors, IPSCO and other steel producers realized pricing for products that exceeded historical highs. Pricing expanded margin levels for IPSCO to 29% in 2004 from 8% in 2003. As a result, IPSCO, like most other steel producers in North America, has generated record profits in 2004, as well as significant cash flow.

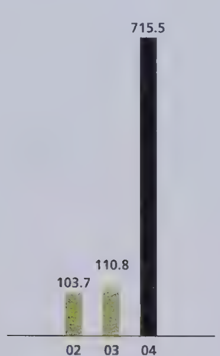


REVENUE
($ billions)

Sales of $2.5 billion in 2004 were a record for the third consecutive year.

SELLING PRICE PER TON
(dollars)

Strong demand, surcharge revenues and a favorable mix of value-added product increased average selling price.



GROSS MARGIN
($ millions)

Gross margin was driven by price increases in all product lines, volume increases and favorable product mix.

Results of Operations

Year ended December 31, 2004 compared with Year ended December 31, 2003

Revenue of $2.5 billion in 2004 was an increase of $1.2 billion over 2003 and resulted from significantly higher year-over-year base prices in all product lines, higher volumes of steel mill and tubular product shipments, and raw material surcharges of $227 million. Higher sales of energy tubular products resulted from increased drilling activity in the United States and Canada and the completion of two major large diameter projects, Cheyenne Plains and the East Texas Expansion. The stronger Canadian dollar also increased reported sales by $57.5 million over 2003.

Cost of sales increased 46.7% to $1.7 billion compared to $1.2 billion in 2003. Higher scrap costs were basically offset by surcharges. However, increases in gas, electricity and alloy prices were absorbed in margins. Higher production rates at our U.S. steelworks and tubular facilities helped to limit the margin impact of other input cost increases through volume efficiencies.

Gross margins were 29.2% of sales versus 8.6% in 2003, reflecting a favorable product mix and the significant price increases in all products which offset higher input costs.

IPSCO's average unit selling price, including raw material surcharges, increased to $689 per ton in 2004 from $413 per ton in 2003. The average base price excluding surcharge in 2004 was $624 per ton, 51% higher than the average in 2003.

IPSCO's average unit selling price for steel mill products increased $280 per ton to $624 per ton, an 81% increase over the $344 per ton average price last year. The average per ton steel product surcharge contributed $63 per ton to this increase. The average base price increase of $217 per ton is attributed to strong demand, favorable market conditions and a shift to more value-added products. IPSCO's average unit selling price for tubular products increased 45% or $256 to $829 per ton.

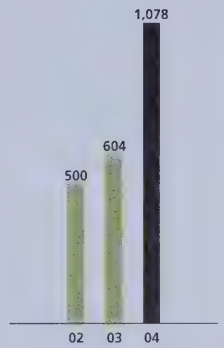
In 2004, a total of $1.1 billion was spent on major raw materials and consumables for IPSCO's three steelworks, up by 78% over the $604 million spent in 2003. Included in this amount are expenditures for steel scrap, pig iron, alloys, carbon electrodes, oxygen, refractories, limestone, natural gas, and electricity.

The procurement of ferrous scrap, our largest input, is on a monthly cycle largely through an auction process. During 2004, IPSCO purchased 3.8 million tons of scrap, 9% more than the prior year. For 2004 the average cost of scrap consumed increased 67%. Although the price was volatile during the year, each quarterly average showed increases over the prior quarter. IPSCO's internally sourced scrap provided 10% of IPSCO's overall needs. The remainder was readily available, although at increased prices, from other parties.

Energy inputs constitute a significant portion of an electric furnace steel maker's costs. In 2004 IPSCO's cost per kilowatt-hour increased 7% compared to 2003, however, higher utilization rates and savings realized through improved practices offset this increase and average cost per ton related to electricity actually declined 3%. Natural gas costs per millions of British Thermal Units increased by about 10%. These natural gas increases were partially offset by higher utilization rates as average cost per ton produced increased 2%.

Maintenance is a very important cost factor for steel production facilities. Effective April 1, 2004, we changed our method of accounting for the costs of major overhauls and repairs. Under the new method, the cost of major overhauls and repairs which are not capitalized are expensed as incurred. Previously, the non-capital estimated cost of such repairs was accrued on a straight-line basis with actual costs charged to the accrual as incurred. Therefore, the new method more appropriately recognizes such costs in the period incurred. All periods addressed in this MD&A have been restated to reflect this change which resulted in an increase to net income of $4.2 million and $1.4 million in 2003 and 2002, respectively. See Note 3 to the Consolidated Financial Statements for additional information.

Amortization of capital assets increased 26% to $77.1 million in 2004 from $61.1 million in 2003. On January 1, 2004, we changed our estimate of the useful life of certain major machinery and equipment from 25 to 20 years. This change has been applied prospectively and the effect on 2004 expense was $15.1 million. The remainder of the year-over-year change is related to capital asset additions during the years.



COST OF MAJOR RAW MATERIALS AND CONSUMABLES
($ millions)

Scrap price increases of 67% were the major driver of raw material cost increases.

Shipments

The following table details tons shipped by major product line.

Tons Shipped
(in thousands)

	2004	2003	2002
Discrete plate and coil	**1,860**	1,620	1,543
Cut plate	**573**	576	572
Steel mill products	**2,433**	2,196	2,115
Energy tubulars	**666**	583	382
Non-energy tubulars	**266**	245	271
Large diameter pipe	**196**	113	129
Tubular products	**1,128**	941	782
Total	**3,561**	3,137	2,897

For the eighth consecutive year IPSCO shipped record tonnage, amounting to 3,561,000 tons, or 13.5% more than a year earlier. Shipments to U.S. customers were 2,580,000 tons, 72% of the total, while Canadian based customers accounted for 981,000 tons, or 28%.

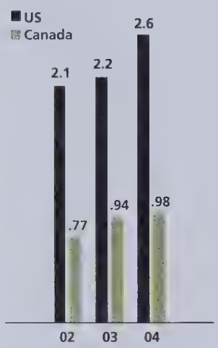
Shipments of 2,433,000 tons of discrete plate, cut plate and hot rolled coil (steel mill products) were 11% higher than a year earlier. Tons sold in the United States increased by 13% while Canadian tons increased by 3%.

IPSCO's coil processing facilities in Houston, Texas; St. Paul, Minnesota; and Toronto, Ontario all make temper-leveled plate products that offer superior flatness, surface quality and higher strengths without furnace treatment. Shipments from coil processing facilities were 573,000 tons, comparable to the previous year. Canadian-destined shipments increased 8% compared to 2003 levels while U.S. shipments declined 4%.

IPSCO produces tubular products, primarily from our own coil, at six locations. By adding value to the basic steel mill product, profitability is enhanced.

About 32%, or 1,128,300 tons, of IPSCO's total shipments in 2004 were tubular products, up from 30% in 2003, and 20% higher than last year's tubular shipments. Shipments to U.S. customers increased 37% while shipments to Canadian customers increased 6%.

Energy tubular product sales increased 14% or 83,000 tons due to stronger oil and gas drilling activity. The average number of active drilling rigs increased on a year-over-year basis from 1,032 to 1,192 in the United States and decreased from 372 to 369 in Canada for a combined increase of 11%. Total shipments of large diameter pipe increased 75% to 196,000 tons from 113,000 tons due to the successful completion of the 36" diameter Cheyenne Plains and East Texas Expansion projects in 2004. Shipments of non-energy tubulars increased from 245,000 to 266,000 or 9% due to increased commercial demand and market penetration in the United States.



U.S./CANADA SALES TONS

IPSCO has continued to increase its penetration into U.S. markets.

Production

Capacity utilization is another key driver of performance for IPSCO. Tonnage of output is in part a function of the number of production turns at each facility. Theoretically, all production equipment is available for 168 hours a week, less operating downtime for routine maintenance. Therefore, to maximize plant and equipment utilization and minimize absorbed cost per ton of output, optimum cost performance occurs when four crews run the facilities around-the-clock. Optimum utilization after routine maintenance is about 95%.

Capacity, utilization and production by facilities are as follows:

Facilities	Capacity (tons)[1]	Utilization			Production (tons)[2]		
		2004	2003	2002	2004	2003	2002
Regina	1,000	91%	92%	89%	1,001	1,003	961
Montpelier	1,250	94%	95%	91%	1,215	1,103	1,114
Mobile	1,250	92%	89%	80%	1,304	1,111	932
Coil Processing	1,200	35%	37%	37%	562	558	559
Small Diameter	1,125	89%	69%	58%	897	739	588
Large Diameter	600	36%	34%	34%	197	141	142

(1) In thousands of tons of finished product.

(2) In thousands; based upon liquid steel for steelworks; finished products for other facilities.

Production at the Regina Steelworks was 1,000,600 liquid tons in 2004, which is essentially flat compared to the prior year. The Montpelier Steelworks recorded production of 1,214,900 liquid tons of steel, compared to 1,103,200 tons in 2003, an increase of 10%. The Mobile Steelworks produced 1,304,200 tons of liquid steel in 2004 versus 1,111,000 tons in 2003, a fourth consecutive annual production increase.

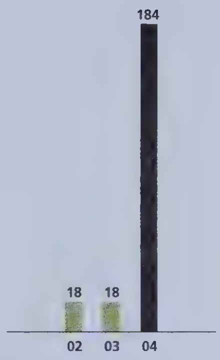
A total of 1,774,700 tons of coil were produced by IPSCO's steelworks, up 3% from 2003, reflecting primarily the increased demand generated by our tubular products. IPSCO's steelworks produced 1,508,600 tons of discrete plate, an increase of 16% over 2003. All three steelworks posted production increases in finished product year-over-year.

Large diameter utilization increased to 36% as production for the East Texas Expansion continued through September, 2004.

IPSCO's coil processing and tubular operations consumed 296,800 tons of hot rolled coil purchased from third parties, supplementing IPSCO's own production. This was 50% more than the 198,300 tons consumed a year earlier. The principal reason for the increase was higher demand for energy tubular products.

The number of man-hours required to produce a ton of coil or discrete plate averaged 0.70 for the combined steelworks.

IPSCO pipe mills produced 19% more tons than a year earlier due to the impact of higher drilling activity on demand for OCTG. The man-hours required to convert finished steel to one ton of finished pipe averaged 2.01, down from 2.36 man-hours in 2003. Production of large diameter gas transmission pipe was 52,000 tons higher in 2004 reflecting the production and shipment of the Cheyenne Plains and East Texas large diameter projects. The large diameter mills in Regina experienced a 36% utilization rate in 2004 versus 34% the prior year, reflecting the demand placed on the mills by these projects.



OPERATING PROFIT PER TON
(dollars)

Operating profit per ton ranks among the leaders in the industry.

Selling, Research and Administration Expense

Selling, research and administrative expenses of $61.5 million were 12% higher than the $54.7 million expenses for 2003. About $2.0 million of the increase resulted from the stronger Canadian dollar. Salaries and wages increased by $3.0 million relating to merit increases, stock based compensation and performance incentives.

Interest on Long-Term Debt

Interest expense on long-term debt increased to $35.3 million in 2004, up 15% or $4.7 million over 2003. This reflects a full year of interest expense for the $200 million 8.75% Senior Notes due 2013, issued in June of 2003, versus only seven months interest expense incurred in 2003. Proceeds from the issuance of these notes were used to retire bank debt in 2003 as well as IPSCO's preferred shares in May of 2004. The retirement of the preferred shares eliminated the cost as well as the dilutive impact of the shares.

Income Before Taxes, Net Income Attributable to Common Shareholders

Income before income taxes increased $596.8 million to $629.9 million in 2004 as a result of the favorable commercial and operating performance described in the previous sections.

Income tax expense totaled $191.3 million in 2004, up over the $16.5 million reported in 2003. The effective tax rate was reduced from 50% to 30.4% as the strength of U.S. results allowed IPSCO to reverse its valuation allowance against tax benefits booked prior to 2003. See Note 5 to the Consolidated Financial Statements for further discussion.

Net income increased by $422.0 million from $16.6 million recorded in 2003. Interest on Subordinated Notes and dividends on preferred shares decreased by $4.4 million from the $12.1 million recorded in 2003 due to the repayment of the underlying securities. The net income available to common shareholders was $430.9 million or $8.24 per diluted share compared to $4.5 million or $0.09 per diluted share in 2003.

Year ended December 31, 2003 compared with Year ended December 31, 2002

Revenue of $1.29 billion in 2003 resulted from significantly higher sales of energy tubular products, improved pricing for all product lines and slightly higher shipments from the Mobile Steelworks. Higher sales of energy tubular products resulted from increased drilling activity in Western Canada, and continued strong market penetration with this product line in the United States where drilling activity also increased.

Cost of sales increased 21% to $1.2 billion compared to $978 million in 2002. Gross margin decreased to 8.6% of sales from 9.6% in 2002, reflecting significantly higher raw material costs. This trend was partially offset by improved production costs at both U.S. steelworks, the result of higher production levels and therefore better utilization rates.

NET INCOME AVAILABLE TO COMMON SHAREHOLDERS
($ millions)

Higher selling prices were the major factor in increased net income.

IPSCO's average unit selling price increased to $413 per ton in 2003 from $369 per ton in 2002, due to both higher unit prices and an improved product mix. The stronger Canadian dollar also increased sales by $54 million over 2002.

IPSCO's average unit selling price for steel mill products improved about 5% on a year-over-year basis primarily due to modest price increases and selective commercial practices offset by regional pricing differences. Market conditions did not improve appreciably year-over-year, but did gradually strengthen toward the end of 2003.

IPSCO's average unit selling price of energy tubular products increased around 9% while non-energy tubular prices increased about 11% over 2002. Large diameter pipe pricing, which can vary significantly based on project specifications and mix, was unchanged year-over-year. The selling price increase experienced by energy tubulars reflected improved market conditions as evidenced by higher drilling rates as well as a stronger Canadian dollar. The increase in average pricing for non-energy tubulars, however, was primarily the result of significantly higher coil costs, some of which were passed on to the customer.

In 2003, a total of $604 million was spent on major raw materials and consumables for IPSCO's three steelworks, up by 21% over the $500 million spent in 2002. Included in the amount are expenditures for steel scrap, pig iron, alloys, carbon electrodes, oxygen, refractories, limestone, natural gas, and electricity. Scrap and other raw material costs increased rapidly during the second half of 2003, reaching historically high levels.

Approximately one third of our business in steel mill products and some tubular product sales were under contract during 2003 with prices fixed for a number of months. Consequently, while IPSCO attempted to raise prices over the course of the year, price realization lagged behind raw material cost increases, resulting in lower gross margins. Surcharges were not implemented until January 2004.

During 2003, IPSCO recycled 3.6 million tons of scrap, the principal raw material for its steel mills, at an average cost about 17% higher than the previous year. IPSCO's General Scrap Partnership and IPSCO Direct Inc., an Alberta scrap collection company, provided 11% of IPSCO's overall needs. The remainder was readily available from other parties.

Energy inputs constitute a significant portion of an electric furnace steel maker's costs. In 2003, IPSCO's cost per kilowatt-hour was virtually unchanged compared to 2002, because savings realized through improved practices offset slightly higher costs due to escalation clauses in long-term supply contracts. Natural gas costs per millions of British Thermal Units increased by about 29%.

Pension expenses, principally for the defined benefit plans under Canadian labor contracts, increased $5.8 million compared to 2002. Most of the increase was attributable to benefit improvements granted as part of previous labor agreements, as well as other actuarial factors detailed in Note 8 of the Consolidated Financial Statements. Future annual pension expenses were not expected to increase significantly.

Amortization of capital assets increased by 20% to $61.1 million in 2003 from $51 million in 2002. This reflects higher amortization of equipment at the Mobile Steelworks as well as the effect of new assets being placed into service during 2003.

Shipments

Shipments to U.S. customers were 2,198,700 tons, 70% of the total, while Canadian based customers accounted for 938,400 tons, or 30%. Most of the growth in shipments was in the tubular product lines.

Shipments of 2,196,500 tons of discrete plate, cut plate and hot rolled coil were 4% higher than a year earlier. United States destined tons increased by 2% while Canadian destined tons increased 10%. Shipments from coil processing facilities were 576,700 tons, basically comparable to the year earlier. Canadian destined shipments dropped 5% compared to 2002 levels while U.S. shipments rose 3%.

About 30% of IPSCO's total shipments in 2003 were tubular products, up from 27% in 2002, reflecting the impact of stronger western Canadian drilling activity.

Tubular product volume increased 20% over 2002 levels to 940,600 tons. Shipments of these products to U.S. customers increased 8% while shipments to Canadian customers increased 34%. OCTG sales increased due to stronger oil and gas drilling activity. Total shipments of large diameter pipe fell 13% to 112,600 tons from 129,400 tons. Shipments of OCTG and small diameter line pipe increased 53% from 381,300 tons to 582,700 tons. The average number of active drilling rigs increased on a year-over-year basis from 831 to 1,032 in the U.S. and from 266 to 372 in Canada for a combined increase of 28%. Shipments of non-energy tubulars dropped from 271,200 tons to 245,300 tons, or 10%, primarily because management diverted production capacity in response to higher demand in small diameter energy markets.

Production

Production at the Regina Steelworks increased 4% to 1,003,000 liquid tons in 2003, primarily because of a fourteen-day scheduled maintenance outage in 2002. The Montpelier Steelworks recorded production of 1,103,200 liquid tons of steel, comparable to 2002. Utilization increased to 95% reflecting a different product mix and two events in 2002, a mechanical failure on its static shear as well as an eight-day scheduled maintenance outage. The Mobile Steelworks produced 1,111,000 tons of liquid steel in 2003 versus 932,100 tons in 2002. The percentage of prime production continued to increase as the operation matured.

The number of man-hours required to produce a ton of coil or discrete plate averaged 0.75 for the combined steelworks.

A total of 558,300 tons of coil was processed by IPSCO's downstream coil processing facilities, comparable to 558,700 tons in 2002. IPSCO's coil processing and tubular operations consumed 198,300 tons of hot rolled coil purchased from third parties, supplementing IPSCO's own production. This was 68% more than the 118,200 tons consumed a year earlier. The principal reason for the increase was improved demand for energy tubular products.

IPSCO pipe mills produced 21% more tons than the prior year due to the impact of higher drilling activity on demand for OCTG. The man-hours required to convert finished steel to one ton of finished pipe averaged 2.36, down slightly from 2.44 man-hours in 2002. Production of large diameter gas transmission pipe was comparable to 2002. Shipments decreased 13% to 112,600 tons, reflecting a limited number of projects in the transmission industry. The large diameter mills in Regina experienced a 34% utilization rate, identical to the rate recorded a year earlier.

Selling, Research and Administration Expense

Selling, research and administrative expenses of $54.7 million were 6% higher than $51.4 million for 2002. About $2 million of the increase resulted from the stronger Canadian dollar. Canadian capital taxes were also up $1.5 million year-over-year. Salaries and wages increased by less than 3%. An expense for stock based incentive awards also contributed to the increase. These grants of restricted stock and performance units replaced IPSCO's stock option grants in 2003.

Interest on Long-Term Debt

Interest expense on long-term debt increased to $30.6 million in 2003, up 28% over 2002. This was primarily the result of increased borrowing levels in 2003 related to the June 2003 $200 million 8.75% Senior Notes.

Income Before Taxes, Net Income and Net Income Available to Common Shareholders

Income before income taxes decreased by 3% (18% increase excluding non-recurring items) to $33.1 million in 2003 as a result of the changes described in the previous sections. The 2002 results include one non-recurring transaction – the sale of idle assets for $6.5 million, while both periods have been restated to reflect the new method of accounting for the cost of major overhauls and repairs.

Income tax expense totaled $16.5 million in 2003, up over the $12.2 million reported in 2002. The effective tax rate increased from 36% to 50% primarily because IPSCO did not recognize tax benefits on the 2003 operating losses in the United States.

Net income fell by 24% (6% excluding non-recurring items) to $16.6 million in 2003. The net income available to common shareholders was $4.5 million or $0.09 per diluted share compared to $10.3 million or $0.22 per diluted share in 2002.

Liquidity and Capital Resources

Cash Requirements

IPSCO has ongoing commitments under various contractual and commercial obligations at December 31, 2004, as shown below. The information presented does not include obligations that have maturities of less than one year or planned capital expenditures.

Contractual Obligations ($ millions)		Payments Due by Period			
	Total	Less than 1 year	1 to 3 years	4 to 5 years	After 5 years
Long-term debt	407	14	141	42	210
Interest	194	33	78	39	44
Leases	180	21	57	15	87
Other long-term obligations	270	65	117	22	66
Total contractual cash obligations	1,051	133	393	118	407

Long-term Debt

Long-term Debt (including current portion)	Amount (millions)	Interest Rate	Due
Notes	$ 71.4	7.32%	April 1, 2009
Debentures	83.2	7.80%	December 1, 2006
Loan	14.7	6.00%	June 1, 2007
Financing	28.0	8.11%	November 1, 2009
Financing	10.0	6.88%	May 1, 2010
Notes	200.0	8.75%	June 1, 2013
Total	$407.3		

Long-term debt, all unsecured, consists of various notes, debentures and financing issued since 1994. The only annual payment requirement, $14.3 million per annum, relates to the 7.32% notes maturing April 1, 2009.

The 7.32% Series B Senior Notes due 2009, 7.80% IPSCO Inc. Debentures due 2006, 6.00% Solid Waste Disposal Revenue Bonds, Series 1997, due 2007, and 8.11% Taxable Industrial Development Revenue Bonds, Series 1999, due 2009 are subject to financial test covenants and to certain customary covenants (including limitations on liens and sale and leasebacks). The 6.88% financing and the 8.75% notes are not subject to any financial test covenants. The 8.75% notes, however, contain restrictions and limitations on liens, and sales and leasebacks. Non-compliance with any of the above covenants could result in accelerated payment of the related debt. IPSCO was in compliance with all covenants on December 31, 2004.

Leases

	Value at inception of lease
Sale and leaseback – Montpelier	$150.0
Sale and leaseback – Houston	15.0
Other operating leases	28.6
Total Leases:	$193.6

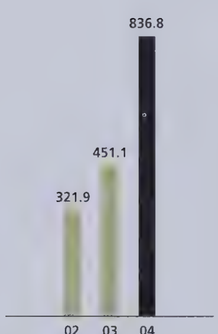
The Montpelier Steelworks sale and leaseback of the melt shop and caster was completed in 2000. IPSCO has an option, but is not obligated, to purchase the equipment after seven and ten years for predetermined amounts and at the end of the lease term for the fair market value of the equipment, subject to a residual guarantee of $37.5 million. For Canadian generally accepted accounting principles (GAAP) purposes, this transaction was treated as a sale and the subsequent lease payments as operating expenses. For U.S. GAAP purposes, this transaction was recorded as a financing lease, with no recognition of the disposal of the assets.

The sale and leaseback of the Houston cut-to-length facility's temper mill was completed in 2001. IPSCO has the option, but not the obligation, to purchase the equipment for a predetermined amount after seven years of the 7.5 year lease.

Other operating leases consist of various production equipment, office equipment and premises.

Other Long-term Commitments

IPSCO has entered into long-term electricity and natural gas supply agreements for the Regina, Montpelier and Mobile Steelworks, as well as service contracts to provide maintenance and logistics support to those steelworks.



WORKING CAPITAL
($ millions)

Increased working capital for 2004 was primarily due to higher sales and inventories.

Sources and Uses of Cash

Working capital provided by operations in 2004 was $497.4 million compared to $99.3 million in 2003. Cash provided from operations before changes in non-cash working capital was $597.3 million in 2004, an increase of $488.2 million over 2003, reflecting higher gross income as well as extra funding to defined benefit pension plans. The change in non-cash working capital was a use of $99.9 million, an increase of $90.0 million over 2003. The increase in use of cash for working capital was attributable to higher receivables related to increased sales, higher unit costs as well as units of inventories compared to the prior year, and an increase of income taxes payable. Cash used in financing activities was $237.5 million in 2004 compared to a source of $19.7 million in 2003. In May of 2004, IPSCO retired its preferred shares for $109 million. In November of 2004 IPSCO's Junior Subordinated Notes were redeemed for $100 million.

The source of financing funds in 2003 was the $200 million 8.75% Senior Notes placed with about 120 institutions principally based in the United States in June of that year. Senior unsecured notes were issued at par with an 8.75% coupon with a term of ten years and are due in 2013. The net proceeds were used to repay all debt under the revolving term credit facility, as well as other small notes, and the balance was reflected in our cash position.

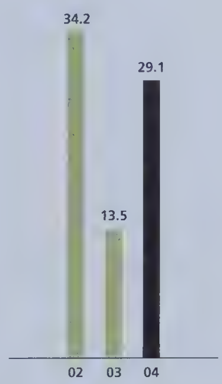
Interest paid on the Junior Subordinated Notes in 2004 amounted to $12 million versus $8.5 million in 2003. The increase was due to the payment of interest upon the redemption of the Junior Subordinated Notes at the end of November instead of at the semi-annual interest date of January 1.

IPSCO's Canadian defined benefit plans are made up of qualified plans for our employees and unqualified plans which are supplementary to qualified plans for our executives. The funding status of the qualified plans increased to 83% at year end 2004 from 75% at year end 2003. The Company contributed a total of $21.6 million to the plans during the year. This included additional funding to the qualified pension plans of $12.1 million over that required by government regulations. This funding offset the effects of a lower assumed discount rate on the projected benefit obligation. The unqualified supplementary pension plan for our executives is not funded until due.

Dividends to holders of common shares were $9.5 million in 2004 compared to $7.0 million the prior year and reflect a dividend increase of CDN $0.05/share for shareholders at December 31, 2004, increased share volume due to shares issued pursuant to our share option plan, as well as the strength of the Canadian dollar year-over-year. Cash received for shares issued related to exercise of 1,711,686 options was $30.4 million in 2004 versus $2.6 million in 2003 for 186,503 options. As of December 31, 2004, there were 49.7 million common shares issued and outstanding.

Capital Investments

Capital investment for the past two years was kept to compliance and maintenance levels. Total capital expenditures for 2004 were $29.1 million, an increase of $15.6 million over spending in 2003. Included in this year's expenditures are $5.7 million for the Regina baghouse expansion and $0.5 million for the Mobile Quench and Temper facility. Carry forward expenditures in 2005 for these specific projects will be approximately $50 million. Also included in 2004 is $4.6 million for the exercise of an early buyout option on an operating lease.



CAPITAL EXPENDITURES
($ millions)

IPSCO's recent expansion and modern facilities have allowed modest levels of capital expenditures.

Liquidity

The principal indicators of IPSCO's liquidity are its cash position and amounts available under its bank line of credit (revolving term facility).

On November 19, 2004, IPSCO replaced its committed revolving term facility of $200 million (expiring March 4, 2005) with a committed revolving term facility of $150 million (expiring November 19, 2007). As of December 31, 2004, letters of credit of $13.9 million were outstanding against the revolving term facility resulting in $136.1 million available for use.

The revolving term facility provides for unsecured advances. The amount available is the total committed amount less direct borrowings and outstanding letters of credit. The facility has financial covenants with which IPSCO must comply.

Principal financial covenants under the revolving term facility require that:

- Consolidated debt less unrestricted cash to consolidated total capitalization not exceed 35% prior to June 30, 2005, 32.5% prior to December 31, 2005 and 30% thereafter,
- Tangible net worth shall exceed $750 million plus 50% of net income after June 30, 2004,
- Current assets to current liabilities shall be greater than 1.00, and
- Free cash flow to fixed charges shall exceed 1.25 for the period up to and including September 30, 2005, and 1.50 thereafter.

The revolving term facility is also subject to other customary covenants and events of default. Non-compliance with any of the above covenants could result in accelerated payment of the related debt and termination of the revolving term facility. IPSCO was in compliance with all covenants as at December 31, 2004.

During 2004, IPSCO's cash position increased by $223.5 million to $355.1 million while the working capital ratio increased from 3.3:1.0 to 3.4:1.0.

At December 31, 2004, the committed cost to complete in-process capital projects was $28 million. As at the end of 2003, this amount was $3.7 million.

IPSCO expects that it will be able to finance future expenditures from its cash position, cash from operations, and the revolving term facility. We may also consider operating lease financing as well as additional debt or equity financing as may be appropriate.

From time to time IPSCO makes use of interest rate swaps and foreign currency contracts to manage IPSCO's interest rate and foreign exchange risks. IPSCO has entered into swap agreements to hedge the cost of purchasing natural gas through December 31, 2007. As at December 31, 2004, the unrealized gain under these contracts was $1.5 million compared to an unrealized loss of $44,000 at the end of 2003.

Late in 2003, we also entered into a series of foreign exchange forward contracts to hedge the margin on products with Canadian dollar costs that are sold under contracts denominated in U.S. dollars. The contracts fixed the Canadian dollar amounts to be received, and the U.S. dollar amounts to be delivered, on a series of dates beginning January 29, 2004, and ending August 30, 2004. At December 31, 2003, the unrealized gain under these contracts was $0.2 million. At the end of December 31, 2004 there were no forward exchange forward contracts.

Debt Ratings

IPSCO maintains debt ratings with three of North America's principal rating agencies to comply with various debt covenants. Moody's Investor Service assigned a Ba3 senior implied rating in June of 2003 in conjunction with the $200 million 8.75% Senior Notes discussed above. This was upgraded to a Ba2 (positive) rating on November 5, 2004. Standard & Poor's Rating's Services affirmed its rating of BB+ with a stable outlook in June 2003 and on February 14, 2004 lowered the rating to a BB (stable). Dominion Bond Rating Service (DBRS) lowered their rating on these debt securities from BBB to BBB (low) with a stable outlook in 2003 and maintained that rating in 2004. DBRS continues to regard IPSCO as investment grade, based in large part on a strong balance sheet and sufficient access to liquidity.

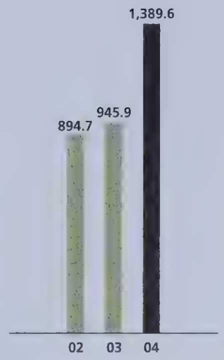
Capital Structure

IPSCO strives to maintain a strong balance sheet and a flexible capital structure. IPSCO has the ability to, and may elect to, use a portion of cash and cash equivalents to retire debt or to incur additional expenditures without increasing debt.

IPSCO considers its capital structure as of December 31, 2004 to be:

Consolidated debt (includes Montpelier Lease)*	$ 545.6 million
Shareholders' equity	$1,389.6 million
Total capitalization	$1,935.2 million
Consolidated debt to total capitalization	28%
Cash and cash equivalents	$ 355.1 million
Net consolidated debt to total capitalization	10%

* Consolidated debt includes long-term debt (including the current portion) and two items which are considered under Canadian GAAP to be off-balance sheet arrangements. These are the lease of the meltshop and caster equipment at the Montpelier Steelworks, and certain letters of credit. The $150 million Montpelier sale and leaseback is considered as debt under U.S. GAAP. The $13.9 million of outstanding letters of credit are considered to be contingencies under both Canadian and U.S. GAAP. These two items are the only material off-balance sheet arrangements which have or are reasonably likely to have, a current or future effect on IPSCO's financial condition, changes in financial condition, revenue or expenses, results of operations, liquidity, capital expenditures or capital resources.



COMMON SHAREHOLDERS' EQUITY
($ millions)

2004 results have contributed to a stronger balance sheet and greater financial strength.

In October 2004, as part of regular reviews of the dividend level on common shares, IPSCO's Board of Directors approved a doubling of the quarterly cash dividend to CDN $0.10 per share. In February 2005, a further 20% increase to CDN $0.12 per share was approved. This increase in dividend is indicative of the confidence the Board of Directors and management have in IPSCO's long-term business and financial outlook.

Quarterly Results	2004	2003	2002

Results by quarter for 2004, 2003, and 2002 were as follows:

	2004	2003	2002
Tons Shipped (thousands)			
1st Quarter	**937.1**	674.2	749.5
2nd Quarter	**884.2**	748.8	810.9
3rd Quarter	**844.1**	817.3	697.8
4th Quarter	**895.6**	896.8	638.7
Total	**3,561.0**	3,137.1	2,896.9
Sales (millions)			
1st Quarter	**$ 482.9**	$ 279.9	$ 271.1
2nd Quarter	**548.3**	298.2	287.6
3rd Quarter	**641.9**	335.0	266.9
4th Quarter	**779.6**	381.5	256.1
Total	**$ 2,452.7**	$ 1,294.6	$ 1,081.7
Net Income (Loss) Available to Common Shareholders (millions)			
1st Quarter	**$ 31.3**	$ 3.1	$ (0.3)
2nd Quarter	**66.4**	(6.6)	4.4
3rd Quarter	**144.5**	(1.7)	(0.1)
4th Quarter	**188.7**	9.7	6.3
Total	**$ 430.9**	$ 4.5	$ 10.3
Basic Earnings (Loss) per Common Share			
1st Quarter	**$ 0.65**	$ 0.07	$ (0.01)
2nd Quarter	**1.38**	(0.14)	0.09
3rd Quarter	**2.99**	(0.04)	0.00
4th Quarter	**3.85**	0.20	0.13
Year	**8.92**	0.09	0.22
Diluted Earnings (Loss) per Common Share			
1st Quarter	**$ 0.57**	$ 0.07	$ (0.01)
2nd Quarter	**1.22**	(0.14)	0.09
3rd Quarter	**2.76**	(0.04)	0.00
4th Quarter	**3.71**	0.20	0.13
Year	**8.24**	0.09	0.22

Changes in the Company's effective tax rate in the fourth quarters of 2004 and 2003 had the effect of increasing net income for the quarter by approximately $7.0 million ($0.14 per diluted share) and $1.3 million ($0.03 per diluted share), respectively.

Selected Annual Information		2004	2003	2002
(thousands of U.S. dollars except share and per share data)				
Sales		**2,452,675**	1,294,566	1,081,709
Net income available to common shareholders		**438,610**	16,585	21,700
Earnings per common share – basic		**8.92**	0.09	0.22
– diluted		**8.24**	0.09	0.22
Total assets		**2,348,921**	1,931,103	1,736,291
Total long-term financial liabilities		**393,053**	401,244	342,202
Cash dividends declared	Common shares CDN	**0.25**	0.20	0.20
	Preferred shares CDN	**0.34375**	1.37500	1.37500
Common shares outstanding as of December 31		**49,737,180**	47,940,907	47,667,487

Significant Differences Between U.S. and Canadian GAAP

IPSCO uses U.S. dollars as the basis for its financial statement reporting, and follows GAAP in presenting financial results. The U.S./Canadian GAAP differences generally relate to timing issues for expense recognition. The differences in the reported results arising from using U.S. as opposed to Canadian GAAP are summarized in Note 22 to the 2004 Consolidated Financial Statements.

Critical Accounting Policies

We prepare our financial statements in conformity with Canadian GAAP. Our significant accounting polices are discussed in the notes to the consolidated financial statements. The application of these policies requires important judgments or estimations that can affect financial position, results of operations and cash flows. We believe the accounting principles chosen are appropriate under the circumstances, and that the estimates, judgments and assumptions involved in our financial reporting are reasonable.

Accounting estimates made by management are based on an analysis of historical experience and information on current events that are available to management at the time the estimate is made. If circumstances on which estimates were based change, the impact is included in the results of operations for the period in which the change occurs. Critical accounting policies that are subject to significant estimates and assumptions are summarized below.

Valuation of Long-Lived Assets

We review long-lived assets for impairment whenever events or changes in circumstances indicate the carrying amount of these assets may not be recoverable. Impairment losses are recorded on long-lived assets used in operations when indicators of impairment are present and the undiscounted cash flows estimated to be generated by those assets are less than the assets' carrying amounts. The impairment loss is measured by comparing the fair value of the asset to its carrying amount. Factors that could affect our estimate of undiscounted cash flows include, among other things, technological changes, economic conditions or changes in operating performance, resulting in the need to write-down those assets to fair value.

Allowance for Doubtful Accounts

IPSCO has established an allowance for doubtful accounts for losses resulting from the potential risk that some customers may be unable to make payments. We continually monitor payment patterns of customers, investigate past-due accounts to assess likelihood of collection and monitor industry and economic trends to estimate required allowances.

Inventory Valuation

Inventories are valued at the lowest of average cost, replacement cost or net realizable value. Every month we perform an analysis to determine whether any reduction in the average cost of inventory is necessary to record inventory at the lowest value. In addition, an analysis is regularly performed to determine whether saleable products on hand need to be written down to reflect their estimated net realizable value given the intended sales channel for the product. Write-downs to secondary grade are recognized based on this analysis. If the products do not achieve this lower net realizable value, further losses in their disposition would be recognized.

Obligations Relating to Employee Pension Plans

IPSCO provides retirement benefits for almost all of our employees under several defined benefit and defined contribution plans. The defined benefit plans provide benefits that are based on a combination of years of service and an amount that is either fixed or based on final earnings. Our policy regarding the defined benefit plans is to fund the amount that is required by governing legislation. Independent actuaries perform the required calculations to determine pension expense in accordance with GAAP. Several statistical and other factors that attempt to anticipate future events are used in calculating the expense and liabilities related to the plans. The actuarial assumptions used may differ from actual results due to changing market and economic conditions, higher or lower withdrawal rates or longer or shorter life spans of participants. These differences may affect the net pension expense and liability recorded.

Business Risks and Uncertainties

We believe the following principal risks and uncertainties should be taken into consideration by prudent investors.

Industry Competition

The global steel industry remains highly competitive. We compete with foreign and domestic steel makers, many of whom are now more competitive due to the industry restructuring that has occurred since 2002. Competition in the industry is not only based on price, quality and ability to meet customers' product specifications and delivery schedules; steel products must also compete with concrete, plastic, aluminum and other composite materials for many product applications. The highly competitive nature of the industry may affect our results.

Excess Global Capacity and Unfair Trade

The effect of excess global capacity on North American steel prices remains a significant risk for IPSCO. Excess global supply of steel has occasionally resulted in surges of steel into North American markets and, in recent years had driven prices to historic lows.

Economic Cycles and Increased Credit Risk

The steel industry is highly cyclical in nature and sensitive to general economic conditions. While we are generally affected by macroeconomic fluctuations in the Canadian, U.S. and global economies, we are particularly sensitive to trends in oil and gas exploration and transmission as well as trends in the construction, agricultural, and heavy equipment industries, which are important markets for our products. In addition, some of our customers were adversely affected by the recent U.S. economic recession, which has resulted in, and which may continue to result in defaults in the payment of accounts receivables owing. Although we use a variety of techniques to manage this exposure, including thorough credit checks and in some cases requiring security for credit, material losses due to economic downturns and customer defaults are possible.

Weakness in the Oil and Gas Industry and Fewer Large Diameter Pipe Projects

Sales of energy tubular products (including large diameter pipe) represent an important portion of IPSCO's total sales tonnage. Energy tubular products (excluding large diameter pipe) business is dependent on the demand for and pricing of oil and natural gas which drives the number of active drilling rigs in both the United States and Canada. The large diameter pipe business is dependent on the existence of large pipeline projects. During times of lower demand from the oil and gas industry, we endeavor to shift steel production from tubular products towards steel mill products or cut-to-length products. Prolonged weakness in the oil and gas industry and the existence of fewer large pipe projects in combination with weakened plate demand could adversely affect our operations.

Input Costs

IPSCO's principal raw material input is scrap metal. The price and availability of scrap are subject to several market forces, including demand by global steel producers, freight costs and scrap market speculation. Our operations also require substantial amounts of other inputs, such as alloys, electricity, and natural gas – the price and availability of which are also subject to market forces and government regulation. Significant input cost increases, without a commensurate increase in finished product base selling price or cost increase surcharge, hurts IPSCO's financial results. IPSCO's raw material surcharge has in 2004 effectively neutralized the impact of scrap increases. Other input increases have been absorbed in margins. If we were unable to receive sufficient inputs on a timely basis, production could be compromised and business results could be negatively affected.

IPSCO currently does not have long-term supply contracts for scrap metal and instead manages scrap cost volatility primarily by using two strategies. The first is our ownership of the General Scrap Partnership in Canada and the cultivation of close business relationships with major scrap yards and brokers throughout America. The second is to offset scrap charges with scrap surcharges attached to the base price for products. The scrap surcharge mechanism has been in place since January 1, 2004; however, the continued effectiveness of this mechanism cannot be determined. To manage the volatility of other input costs, IPSCO has long-term electricity contracts for the Regina, Montpelier and Mobile Steelworks and an active natural gas purchase program designed to reduce its exposure to fluctuations in spot prices through forward-priced physical gas purchases and financial hedging contracts.

Environmental Laws and Regulations

We are subject to comprehensive and continuously evolving environmental regulation of our operations. In particular, our Canadian operations could be affected by the Kyoto Protocol, which concerns the reduction of carbon dioxide, methane, and certain other "greenhouse gases" and is set to come into force in 2005. Management places a premium on sound environmental practice and compliance. IPSCO's environmental management system involves a number of activities including: environmental audits of operations, projects and purchases; maintenance of emergency preparedness and environmental action plans and systems; oversight of programs by the Board of Directors; employee training; and active participation in industry associations and initiatives to manage environmental performance. All of IPSCO's operating facilities have received ISO 14001 certification of their environmental management systems.

However, given the ever increasing stringency in environmental regulation and its application to the steel industry, there is a risk that IPSCO may not be in complete compliance with future environmental requirements or that IPSCO will incur future environmental liability that could have a material adverse effect on our operations.

Product Demand, Market Share

Decline in the Canadian and/or U.S. industrial economies could result in reduced demand for IPSCO's steel products. IPSCO must achieve and maintain certain sales volumes for the various products manufactured at our facilities for these facilities to be economically viable over the long-term. A reduction in market demand that results in a reduction of sales of our products could have a material adverse effect on the Company's earnings. Management continues to focus on gathering superior market intelligence about customer requirements and product alternatives, supporting its marketing operations and sales personnel with highly trained research and technical experts, and optimizing throughput rates, yields and quality as part of its efforts to increase product demand and maintain satisfactory market share.

Potential Equipment Failure

We use a systematic approach to routinely maintain all facilities and equipment. Nonetheless, there is risk of plant equipment failure, either because of maintenance issues or as the result of operational errors. Any such failure could adversely affect IPSCO.

Labor Activities

About 40% of our employees are represented by trade unions. Expiration dates of collective bargaining agreements vary between 2006 and 2007. Future labor negotiations and future union activities at other locations could have an adverse effect on IPSCO. Similarly, union activities and labor disruptions involving our suppliers could disrupt IPSCO business.

Bankruptcy Laws, Government Subsidies to North American Steel Producers and Diminished Entry and Participation Barriers

The substantial capital costs to construct steelworks, coupled with expensive labor contracts, traditionally posed a barrier to entry into the steel industry. Recent events, such as the emergence of International Steel Group Inc. prior to its acquisition by Mittal Steel, or the purchase of Tuscaloosa by Nucor, demonstrate the ability of prospective investors to secure plants and equipment, especially from those in financial distress, for significantly less capital than historically required. This, combined with the replacement of traditional labor contracts and new technology, could lead to new entrants to the steel industry or the reconstruction of existing participants with more competitive cost structures.

Outlook

IPSCO's key product sectors of plate and energy tubular products continue to exhibit stable demand and, not unrelated, strong pricing levels. We exited 2004 at a very high level and this momentum has carried into 2005.

Our plate market demand has shifted from the rush of mid-2004 to a more orderly level where Original Equipment Manufacturers (OEM) accounts have access to the supplies they need and service center plate tonnage inventories are reasonably in line with their volume of business. As of year end, there have been some offerings of imported plate but not enough to impact domestic pricing in IPSCO's primary markets. This balance of supply and demand should continue through 2005 but could unexpectedly be impacted by changes in exchange rates and the strength of domestic and foreign industrial demand, either of which may attract imports.

Currently, demand in the energy sector is driving energy tubular prices. Pricing remains strong. Movements in the price of scrap can be expected to impact the levels of revenue but over the course of the year, the impact on margins is expected to be neutral. No change in this pattern is anticipated, subject to the seasonal exposure to unfavorable weather conditions mainly in Western Canada. IPSCO's tubular business is therefore focused on the energy sector and every effort is being made to meet the available market. In addition, we continue to pursue larger diameter pipe opportunities where available.

The results achieved in 2004 have allowed IPSCO to develop greater financial strength. We have reduced debt by 8% and common share dilution by redeeming $100 million in Subordinated Notes and CDN $150 million in preferred shares. As a result, diluted shares outstanding in future years will be 5.4 million lower than they would have been for 2004 had these redemptions not occurred. During the year we also doubled the dividend and created a stable financial platform from which we can maintain and improve on our low cost position, continue to be flexible between product markets and optimize our returns by adding value to our steel products and lessening exposure to commodity markets.

We expect to continue to generate significant cash flow in 2005 which we believe provides us with the flexibility to take advantage of additional growth drivers for our business. We have planned a series of capital expenditures in 2005 aimed at increasing revenue generated from our value-added focus and taking advantage of various cost reduction opportunities. The capital expenditures represent both growth and cost reduction opportunities and will include the following items:

- $30 million for normal maintenance
- $45 million for our previously announced heat treatment facility, and
- $25 million for a variety of additional projects identified.

Additional capital outlays may include investments in similar projects dependent on levels of free cash flow generated during 2005 and stability in the Company's financial outlook and performance. Opportunistic acquisitions will also be considered that meet our strict return on capital requirements and fall within our existing business lines.

In conclusion, IPSCO expects another excellent year in 2005. The level of this profitability is subject, however, to the market and exchange risks already mentioned. Whatever market conditions we face, IPSCO will continue to seek opportunities to move our product mix to higher value niches in order to provide further growth and return for our stakeholders.

The accompanying consolidated financial statements of IPSCO Inc., and all information in this report, were prepared by management, which is responsible for its integrity and objectivity.

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles and necessarily include some estimates based upon management's judgments. The significant accounting policies, which management believes appropriate for the Company, are described in Note 2 to the Consolidated Financial Statements. Financial and operating data presented elsewhere in the annual report are consistent with the information contained in the financial statements.

The integrity and reliability of IPSCO's reporting systems are achieved through the use of formal policies and procedures, the careful selection of employees and an appropriate division of responsibilities. Internal accounting controls are continually monitored by an internal audit staff through ongoing reviews and comprehensive audit programs. IPSCO regularly communicates throughout the organization the requirement for employees to maintain high ethical standards in their conduct of the Company's affairs.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control and exercises this responsibility principally through the Audit Committee of the Board. The Board of Directors annually appoints this Audit Committee which is comprised of directors who are neither employees of IPSCO nor of companies affiliated with the Company. This Committee meets regularly with management, the head of the internal audit department, and the shareholders' auditors to review significant accounting, reporting and internal control matters. Both the internal and shareholders' auditors have unrestricted access to the Audit Committee. Following its review of the financial statements and annual report and discussions with the shareholders' auditors, the Audit Committee reports to the Board of Directors prior to the Board's approval of the financial statements and annual report. The Audit Committee recommends the appointment of the Company's external auditors, who are appointed by the Company's shareholders at its annual meeting.

Ernst & Young LLP, the shareholders' auditors, have performed an independent audit in accordance with Canadian generally accepted auditing standards and have attested to the fairness, in all material respects, of the presentation of the financial statements. Their report follows.

David Sutherland

David Sutherland
President and Chief Executive Officer
January 28, 2005

Vicki L. Avril

Vicki Avril
Senior Vice President and Chief Financial Officer

To the Shareholders of IPSCO Inc.

We have audited the consolidated statements of financial position of IPSCO Inc. as of December 31, 2004 and 2003 and the consolidated statements of income, shareholders' equity, and cash flows for each of the years in the three year period ended December 31, 2004. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2004 and 2003 and the results of its operations and its cash flows for each of the years in the three year period ended December 31, 2004 in accordance with Canadian generally accepted accounting principles.

As described in Note 3 to the Consolidated Financial Statements, effective April 1, 2004, the Company changed its method of accounting for the costs of major overhauls and repairs.

Ernst & Young LLP

Chicago, Illinois
January 28, 2005

IPSCO Inc. Consolidated Statements of Financial Position

As of December 31 (thousands of U.S. dollars)

	2004	2003 (restated)
Current Assets		
Cash and cash equivalents	$ 355,077	$ 131,567
Accounts receivable		
Trade, less allowances	325,246	168,956
Other, including current portion of mortgages receivable	13,344	8,969
Income taxes recoverable	–	33,054
Inventories (Note 4)	434,526	286,159
Prepaid expenses	8,212	2,833
Future income taxes (Note 5)	45,210	17,764
	1,181,615	649,302
Non-Current Assets		
Capital assets (Note 6)	1,075,512	1,109,418
Mortgages receivable (Note 7)	14,243	10,882
Deferred financing costs, less amortization	7,336	8,107
Deferred pension asset (Note 8)	16,181	3,964
Future income taxes (Note 5)	54,034	149,430
	1,167,306	1,281,801
Total Assets	$ 2,348,921	$ 1,931,103
Current Liabilities		
Accounts payable and accrued charges	$ 196,610	$ 143,216
Accrued payroll and related liabilities	39,130	15,624
Income taxes payable	90,656	–
Current portion of long-term debt (Note 9)	14,286	34,286
Other current liabilities	4,168	5,055
	344,850	198,181
Long-Term Liabilities		
Long-term debt (Note 9)	393,053	401,244
Future income taxes (Note 5)	221,381	182,864
	614,434	584,108
Shareholders' Equity		
Preferred shares (Note 10)	–	98,695
Common shares (Note 11)	385,582	354,095
Subordinated Notes (Note 14)	–	104,250
Retained earnings (Note 15)	923,530	502,174
Cumulative translation adjustment	80,525	89,600
	1,389,637	1,148,814
Total Liabilities and Shareholders' Equity	$ 2,348,921	$ 1,931,103

Commitments and contingencies (Notes 20 & 23)

The accompanying notes are an integral part of the consolidated financial statements.

On behalf of the Board:

Burton Joyce, Director

David Sutherland, Director

IPSCO Inc. Consolidated Statements of Income

Years ended December 31 (thousands of U.S. dollars except per share data)

	2004	2003 (restated)	2002 (restated)
Sales	**$ 2,452,675**	$ 1,294,566	$ 1,081,709
Cost of sales			
Manufacturing and raw material	**1,660,009**	1,122,625	926,920
Amortization of capital assets	**77,161**	61,138	51,049
	1,737,170	1,183,763	977,969
Gross income	**715,505**	110,803	103,740
Selling, research and administration	**61,467**	54,683	51,358
Operating income	**654,038**	56,120	52,382
Other expenses (income)			
Interest on long-term debt (Note 9)	**35,285**	30,583	23,821
Other interest (income) expense, net	**(3,469)**	(1,625)	174
Foreign exchange (gain) loss	**(2,749)**	(5,170)	938
Gain on sale of assets held for sale (Note 7)	**(4,925)**	–	(6,464)
Other	**–**	(720)	–
Income before income taxes	**629,896**	33,052	33,913
Income taxes (Note 5)	**191,286**	16,467	12,213
Net Income	**438,610**	16,585	21,700
Dividends on preferred shares, including part VI.I tax (Note 10)	**2,461**	6,304	5,608
Interest on Subordinated Notes, net of income tax (Note 14)	**5,257**	5,771	5,771
Net Income Available to Common Shareholders	**$ 430,892**	$ 4,510	$ 10,321
Earnings Per Common Share			
Basic (Note 16)	**$ 8.92**	$ 0.09	$ 0.22
Diluted (Note 16)	**$ 8.24**	$ 0.09	$ 0.22

The accompanying notes are an integral part of the consolidated financial statements.

IPSCO Inc. Consolidated Statements of Shareholders' Equity

Years Ended December 31 (thousands of U.S. dollars)

	Preferred Shares Number	Preferred Shares Amount	Common Shares Number	Common Shares Amount	Subordinated Notes	Retained Earnings (restated)	Cumulative Translation Adjustment (restated)	Total
Balance January 1, 2002	6,000,000	$ 98,545	40,843,536	$ 256,163	$ 104,250	$ 491,777	$ 34,803	$ 985,538
Cumulative effect of change in accounting policy (Note 3)						8,606	–	8,606
As adjusted	6,000,000	98,545	40,843,536	256,163	104,250	500,383	34,803	994,144
Net income	–	–	–	–	–	21,700	–	21,700
Dividends on preferred shares, including part VI.I tax	–	–	–	–	–	(5,608)	–	(5,608)
Interest on Subordinated Notes, net of income tax	–	–	–	–	–	(5,771)	–	(5,771)
Dividends on common shares	–	–	–	–	–	(6,078)	–	(6,078)
Issue of common shares	–	–	6,823,951	95,148	–	–	–	95,148
Foreign currency translation adjustment	–	–	–	–	–	–	3,980	3,980
Other	–	8	–	–	–	–	–	8
Balance as of December 31, 2002	6,000,000	98,553	47,667,487	351,311	104,250	504,626	38,783	1,097,523
Net income	–	–	–	–	–	16,585	–	16,585
Dividends on preferred shares, including part VI.I tax	–	–	–	–	–	(6,304)	–	(6,304)
Interest on Subordinated Notes, net of income tax	–	–	–	–	–	(5,771)	–	(5,771)
Dividends on common shares	–	–	–	–	–	(6,962)	–	(6,962)
Issue of common shares	–	–	273,420	2,784	–	–	–	2,784
Foreign currency translation adjustment	–	–	–	–	–	–	50,817	50,817
Other	–	142	–	–	–	–	–	142
Balance as of December 31, 2003	6,000,000	98,695	47,940,907	354,095	104,250	502,174	89,600	1,148,814
Net income	–	–	–	–	–	438,610	–	438,610
Dividends on preferred shares, including part VI.I tax	–	–	–	–	–	(2,461)	–	(2,461)
Interest on Subordinated Notes, net of income tax	–	–	–	–	–	(5,257)	–	(5,257)
Dividends on common shares	–	–	–	–	–	(9,536)	–	(9,536)
Issue of common shares	–	–	1,796,273	31,487	–	–	–	31,487
Redemption of preferred shares	(6,000,000)	(98,695)	–	–	–	–	–	(98,695)
Redemption of Subordinated Notes	–	–	–	–	(104,250)	–	–	(104,250)
Foreign currency translation adjustment	–	–	–	–	–	–	(9,075)	(9,075)
Balance as of December 31, 2004	–	$ –	49,737,180	$ 385,582	$ –	$ 923,530	$ 80,525	$1,389,637

The accompanying notes are an integral part of the consolidated financial statements.

IPSCO Inc. Consolidated Statements of Cash Flows

Years Ended December 31 (thousands of U.S. dollars)

	2004	2003 (restated)	2002 (restated)
Cash derived from (applied to)			
Operating activities			
Working capital provided by operations			
Net income	**$438,610**	$ 16,585	$ 21,700
Amortization of capital assets	**77,161**	61,138	51,049
Amortization of deferred charges	**1,291**	1,216	813
Stock based compensation	**1,123**	305	61
Change in deferred pension asset	**(11,574)**	638	(4,168)
Future income taxes	**96,701**	29,488	11,785
Gain on sale of assets held for sale	**(4,925)**	–	(6,464)
	598,387	109,370	74,776
Change in non-cash operating working capital			
Trade receivables	**(146,191)**	(23,185)	(28,651)
Other receivables	**(5,017)**	(20,251)	(7,494)
Income taxes recoverable	**33,054**	–	–
Inventories	**(137,446)**	(9,035)	(16,016)
Prepaid expenses	**(5,114)**	264	(816)
Accounts payable and accrued charges	**47,114**	51,638	(10,503)
Accrued payroll and related liabilities	**23,506**	469	(1,540)
Income and other taxes payable	**91,126**	2,730	619
Other current liabilities	**(887)**	(12,443)	2,216
	(99,855)	(9,813)	(62,185)
	497,409	99,252	12,530
Financing activities			
Proceeds from issuance of common shares pursuant to share option plan	**30,364**	2,581	2,953
Proceeds from issuance of common shares, net of issue costs (Note 11)	**–**	–	90,670
Common share dividends	**(9,536)**	(6,962)	(6,078)
Preferred share dividends	**(3,053)**	(5,902)	(5,254)
Subordinated Notes interest	**(11,994)**	(8,500)	(8,500)
Redemption of preferred shares	**(108,996)**	–	–
Redemption of Subordinated Notes	**(100,000)**	–	–
Proceeds from issuance of long-term debt (Note 9)	**–**	264,114	83,300
Repayment of long-term debt (Note 9)	**(34,286)**	(225,586)	(114,400)
	(237,501)	19,745	42,691
Investing activities			
Expenditures for capital assets (Note 17)	**(29,068)**	(13,528)	(34,211)
Proceeds from sale of assets held for sale (Note 7)	**4,759**	1,022	1,466
Proceeds from (issuance of) mortgages receivable, net	**(2,983)**	2,174	–
Investments (Note 18)	**–**	(2,171)	(1,706)
	(27,292)	(12,503)	(34,451)
Effect of exchange rate changes on cash and cash equivalents	**(10,229)**	1,909	(464)
Increase in cash and cash equivalents	**223,510**	108,708	20,367
Cash and cash equivalents at beginning of year	**131,567**	22,859	2,492
Cash and cash equivalents at end of year	**$355,077**	$ 131,567	$ 22,859

The accompanying notes are an integral part of the consolidated financial statements.

IPSCO Inc. Notes to Consolidated Financial Statements

For the Years Ended December 31 (thousands of U.S. dollars except per share data)

1 Nature of Operations

IPSCO Inc. is a producer of steel products. The Company's products are sold primarily in the United States and Canada.

The Company currently employs approximately 2,500 people, of whom approximately 62% are non-unionized personnel and approximately 38% are represented by trade unions. The Company is a party to separate collective bargaining agreements with a term to July 31, 2006 with locals of the United Steelworkers of America (USWA) which represent unionized employees in Regina and Calgary. These employees account for approximately 82% of the Company's unionized employees.

In 2004, 2003 and 2002, no individual customer accounted for 10% or more of sales. At December 31, 2004 and 2003, no customer represented 10% or more of the accounts receivable balance.

2 Significant Accounting Policies

The consolidated financial statements have been prepared in accordance with Canadian GAAP, and include certain estimates based on management's judgments. These estimates affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. Actual results may differ from those estimates. The accounting policies followed by the Company also conform in all material respects with accounting principles generally accepted in the United States, except as described in Note 22.

Reporting currency

Assets and liabilities of the Company's operations having a functional currency other than the U.S. dollar are translated into U.S. dollars using the exchange rate in effect at the year-end and revenues and expenses are translated at the average rate during the year. Exchange gains or losses on translation of the Company's net equity investment in these operations are deferred as a separate component of shareholders' equity.

The change in the cumulative translation adjustment results primarily from fluctuations of the Canadian dollar against the U.S. dollar.

Basis of consolidation

The consolidated financial statements include the accounts of the Company, its subsidiaries and the Company's proportionate interest of investment in a jointly controlled enterprise. Significant inter-company balances and transactions are eliminated on consolidation.

Cash equivalents

Cash equivalents are securities of the government of Canada and its provinces, the government of the United States, banks, and other corporations, with a maturity of less than three months when purchased. These highly liquid securities are short-term and have fixed interest rates.

Inventories

Inventories are valued at the lowest of average cost, replacement cost and net realizable value.

Income taxes

The Company follows the liability method of tax allocation in accounting for income taxes. Under this method, future tax assets and liabilities are determined based on differences between the financial reporting and tax bases of assets and liabilities, and measured using the substantially enacted tax rates and laws that will be in effect when the differences are expected to reverse.

Capital assets

Capital assets are stated at cost. For major projects under construction, the Company capitalizes interest based on expenditures incurred to a maximum of interest costs on debt.

Amortization is provided on the straight-line basis at the following annual rates:

Buildings	4%
Machinery and Equipment	5% to 33%

Effective January 1, 2004, the Company changed its estimate of the useful life of certain major machinery and equipment from 25 to 20 years. This change has been applied prospectively, and resulted in an increase to 2004 depreciation expense of $15,144 ($0.21 per basic share and $0.19 per diluted share).

Amortization is provided on all assets acquired as they come into production. In 2002, the units-of-production method was used until a substantial level of production was sustained at the Mobile Steelworks.

Deferring financing costs

Financing costs relating to long-term debt are deferred and amortized into interest expense over the term of the related debt.

Pension expense and deferred pension balance

The cost of pension benefits earned by the employees covered by defined benefit plans is actuarially determined using the projected benefit method prorated on service and management's best estimate of expected plan investment performance, salary escalation, terminations, and retirement ages of plan members. Plan assets are valued at fair value for the purpose of determining the expected return on plan assets. Adjustments for plan amendments are charged to operations over the expected average remaining service life of the employee group which is approximately 12 years. Actuarial gains and losses arise from changes in assumptions and differences between assumptions and the actual experience of the pension plans. The excess of accumulated actuarial gains and losses over 10% of the greater of the benefit obligation and the fair value of plan assets is also charged to operations over the expected average remaining service life of the employee group. The costs of pension benefits for defined contribution plans are charged to operations as contributions are earned.

Fair value of financial instruments

The following methods and assumptions were used to estimate the fair value of each class of financial instrument:

Cash and cash equivalents
The carrying value of cash and cash equivalents approximates its fair value.

Mortgages receivable
The fair value of mortgages receivable has been estimated based on current rates for similar instruments with similar maturities. At December 31, 2004, the estimated fair value of mortgages receivable is $16,986 (2003 – $12,053).

Long-term debt
The fair value of the Company's long-term debt has been estimated based on current market prices. Where no market price is available, an estimate based on current rates for similar instruments with similar maturities has been used to approximate fair value.

Natural gas hedge
The Company utilizes fixed price physical delivery contracts and hedge contracts to manage the variability of the cost of purchasing natural gas. The Company has designated as cash flow hedge instruments certain agreements matched against variable price forecasted natural gas purchases through December 31, 2007. The instruments will reduce or increase costs as the underlying physical transaction occurs. As of December 31, 2004, the unrealized gain under the agreements was $1,546. The unrealized loss for 2003 and 2002 was $44 and $78, respectively.

Foreign currency hedge
In 2003, the Company entered into a series of foreign exchange forward contracts to manage its exposure to fluctuations in the relationship between the Canadian and U.S. dollars on certain sales contracts. As of December 31, 2003, the unrealized gain under the contracts was $180.

Stock based compensation

The Company has a share option plan as described in Note 12. Under the terms of the plan, common shares may be granted as options, performance units, restricted stock or restricted shares. Effective January 1, 2003, the Company prospectively adopted the fair value method of accounting under Section 3870 of the CICA Handbook for all awards granted, modified or settled after that date. Under this method, the fair value of the grant of options, performance units and restricted shares is amortized to compensation expense over the vesting period. Any consideration paid by employees on exercise of share options is credited to share capital.

The Company has a deferred share unit plan as described in Note 13. Compensation expense equal to the amount deferred is recorded. The liability relating to the deferred share units is revalued quarterly based on the market value of the Company's common shares and the resulting adjustment recorded in income.

Section 3870 of the CICA Handbook requires the disclosure of pro forma information regarding net income and earnings per share using option valuation models that calculate the fair value of employee stock options that are outstanding but not accounted for under the fair value based method.

For purposes of pro forma disclosures, the estimated fair value of the options is amortized over the options vesting period, the impact of which was not significant for 2004. The Company's 2003 and 2002 pro forma net income information follows:

	2003	2002
Pro forma net income	$16,272	$20,725
Pro forma net income available to common shareholders	$ 4,197	$ 9,346
Pro forma earnings per common share:		
Basic	$ 0.09	$ 0.20
Diluted	$ 0.09	$ 0.20

The fair value for the stock options was estimated at the date of grant using a Black-Scholes option pricing model using the following weighted-average assumptions for 2003 and 2002 respectively: risk-free interest rates of 3.1% and 3.6%; dividend yields of 1.3% and 0.9%; volatility factors of the expected market price of the Company's common stock of .44 and .44; and a weighted-average expected life of the options of 2 years and 1 year. The weighted-average grant-date fair value of the options granted during 2003 was $3.92 and 2002 was $4.05.

The Black-Scholes option valuation model was developed for use in estimating fair value of traded options which have no vesting restrictions and are fully transferable. In addition, option valuation models require the input of highly subjective assumptions including the expected stock price volatility. Because the Company's employee stock options have characteristics significantly different from those of traded options, and because changes in the subjective input assumptions can materially affect the fair value estimate, in management's opinion, the existing models do not necessarily provide a reliable single measure of the fair value of its employee stock options.

Revenue recognition

Sales and related costs are recognized upon transfer of ownership which coincides with shipment of products to customers or specific terms included in customer contracts. Products are generally shipped without right of return. Returns are accepted in limited circumstances, which historically, have been insignificant.

Credit risk

Credit is extended by the Company based upon an evaluation of the customer's financial position, and generally, advance payment is not required. The Company provides for doubtful accounts equal to estimated collection losses that will be incurred in the collection of receivables. Estimated losses are based on a review by management of the current status of receivables, as well as historical collection experience.

Derivative financial instruments

The Company enters into hedging transactions in order to manage its exposure to changes in energy commodity prices and the relationship between the Canadian and U.S. dollars. The derivative transactions are evaluated as effective or ineffective at inception and quarterly thereafter based on various factors including the creditworthiness of the counterparty and expectation of achieving forecast activity. For effective hedges, gains or losses relating to derivative instruments are deferred and recognized in the same period and in the same financial statement category as the gains or losses on the corresponding hedged transactions. Any ineffectiveness is recorded in income as identified. Premiums paid with respect to derivatives are deferred and amortized to income over the term of the hedge.

Recent accounting standards

The impact on the Company of accounting standards adopted in 2004 and accounting standards which have not been adopted due to delayed effective dates follows:

Effective January 1, 2004, the Company adopted CICA Section 3063, Impairment of Long-Lived Assets; Section 3475, Disposal of of Long-Lived Assets and Discontinued Operations; Section 3110, Asset Retirement Obligations; Section 3461, Employee Future Benefits; and Accounting Guideline 13, Hedging Relationships. The effect of adopting these recommendations was not material to the consolidated financial statements.

In November 2003, the CICA issued a revision to Section 3860, Financial Instruments – Disclosure and Presentation, which will require obligations that may be settled at the issuer's option by a variable number of the issuer's own equity instruments to be presented as liabilities. Such instruments are currently presented as

equity. The new standard will be effective for fiscal years beginning on or after November 1, 2004. Any accounting change necessary for initial application should be recognized and disclosed as an accounting policy change under Section 1506. The Company will adopt Section 3860 effective January 1, 2005. As described in Notes 10 and 14, during 2004 the Company redeemed all of its Preferred Shares and Subordinated Notes, consequently adoption of the standard will require only restatement of comparative periods to classify the Preferred Shares and Subordinated Notes as liabilities in the Company's consolidated statement of financial position with the associated dividends and interest accounted for in determining the Company's net income.

Reclassification

Certain of the prior year amounts have been reclassified to conform with the presentation adopted for the current year.

3 Accounting Change

Effective April 1, 2004, the Company changed its method of accounting for the costs of major overhauls and repairs. Under the new method, the cost of major overhauls and repairs which are not capitalized are expensed as incurred. Previously the non-capital estimated cost of such overhauls and repairs was accrued on a straight-line basis between the major overhauls and repairs with actual costs charged to the accrual as incurred. The Company believes the new method more appropriately recognizes such costs in the period incurred.

The accounting change has been applied retroactively with restatement of prior periods. The impact of the change on financial position as of December 31, 2003 is as follows:

	Increase (decrease)
Income taxes recoverable	$ (3,699)
Future income taxes – current asset	(5,212)
Accounts payable and accrued charges	(25,056)
Future income taxes – long-term liability	1,221
Retained earnings	14,250
Cumulative translation adjustment	674

For the years ended December 31, 2002 and 2003, consolidated net income increased by $1,421 ($0.03 per basic and diluted share) and by $4,223 ($0.08 per basic and diluted share), respectively.

4 Inventories

	2004	2003
Finished goods	**$133,250**	$ 106,310
Work-in-process	**156,531**	85,790
Raw materials	**86,218**	35,780
Supplies	**58,527**	58,279
	$434,526	$ 286,159

5 Income Taxes

a) The components of income (loss) before income taxes are summarized below:

	2004	2003	2002
Canada	**$284,250**	$ 22,010	$ 43,574
United States	**345,646**	11,042	(9,661)
	$629,896	$ 33,052	$ 33,913

b) The provision (benefit) for income taxes is summarized as follows:

	2004	2003	2002
Current			
Canada	**$ 88,153**	$ (10,710)	$ 3,597
United States	**6,432**	(2,311)	(3,169)
	94,585	(13,021)	428
Future			
Canada	**4,004**	24,622	15,408
United States	**92,697**	4,866	(3,623)
	96,701	29,488	11,785
	$191,286	$ 16,467	$ 12,213

c) Income tax expense differs from the amount computed by applying the corporate income tax rates (Canadian Federal and Provincial) to income before income taxes. The reasons for this difference are as follows:

	2004	2003	2002
Corporate income tax rate	**34.9%**	37.7%	38.1%
Provision for income taxes based on corporate income tax rate	**$ 219,897**	$ 12,447	$ 12,928
Increase (decrease) in taxes resulting from			
Manufacturing and processing profit	**(12,202)**	(3,703)	(4,955)
Large corporation tax	**2,576**	1,048	895
Income taxed at different rates in the United States	**8,607**	(10,005)	(2,790)
Change in valuation allowance	**(33,149)**	11,349	3,000
Other	**5,557**	5,331	3,135
	$ 191,286	$ 16,467	$ 12,213

d) Future income taxes are comprised of the following:

	2004	2003
Future tax assets		
Accounting provisions not currently deductible for tax purposes	**$ 42,151**	$ 14,419
Costs capitalized to inventory for tax purposes	**3,061**	3,362
Net operating loss carry-forwards	**43,570**	180,139
Foreign exchange losses on debt	**458**	887
Alternative minimum tax credit	**6,610**	–
Other	**3,394**	1,536
Total future tax assets	**99,244**	200,343
Future tax liabilities		
Tax depreciation in excess of accounting amortization	**215,149**	179,503
Pension contributions in excess of expense	**6,166**	1,886
Other	**66**	1,475
Total future tax liabilities	**221,381**	182,864
Valuation allowance	**–**	33,149
Net future income tax liability	**$ (122,137)**	$ (15,670)

e) At December 31, 2004, U.S. subsidiaries of the Company had accumulated net operating losses carried forward of $116,497 for which future tax benefits have been recorded. The related tax benefits can be carried forward and, subject to certain limitations, offset against income tax expense arising in future periods up to the year 2022.

As a result of the Company's ability to utilize a significant portion of its net operating loss carryforward during 2004, the Company believes it is more likely than not that all deferred tax assets will be realized and therefore the $33,149 balance of the valuation allowance was reversed during 2004.

6 Capital Assets

	2004			2003		
	Cost	Accumulated Amortization	Net	Cost	Accumulated Amortization	Net
Land and land improvements	**$ 57,020**	**$ –**	**$ 57,020**	$ 56,621	$ –	$ 56,621
Buildings	**157,439**	**58,958**	**98,481**	149,382	50,423	98,959
Machinery and equipment	**1,311,256**	**419,836**	**891,420**	1,286,455	347,035	939,420
Construction in progress	**23,985**	**–**	**23,985**	10,775	–	10,775
	1,549,700	**478,794**	**1,070,906**	1,503,233	397,458	1,105,775
Assets held for sale	**7,643**	**3,037**	**4,606**	14,839	11,196	3,643
	$1,557,343	**$ 481,831**	**$1,075,512**	$1,518,072	$ 408,654	$1,109,418

Certain capital assets, which are not employed in production, have been segregated pending their ultimate disposition and are carried at the lower of the carrying value and management's best estimate of fair value less cost to sell. The Company's valuation includes significant estimates concerning the cost to complete environmental remediation activities, as well as the ultimate net recovery value of the property. The estimated environmental costs could change depending on the remediation method used. The Company's estimates of fair value less cost to sell could be impacted by the prevailing economic conditions and the Company's ability to obtain necessary zoning and other approvals. See Note 7 for discussion of asset sales.

7 Mortgages Receivable and Sales of Assets Held for Sale

The Company sold certain of its assets held for sale for cash of $4,759 (2003 – $1,022, 2002 – $1,466) and mortgages of $nil (2003 – $6,261, 2002 – $6,338). The transactions resulted in gains of $4,514 (2003 – $nil, 2002 – $6,464). The mortgages bear interest at rates from 4.75% to 5.75%.

In 2004, the Company advanced $7,000 secured by a mortgage. The mortgage bears interest at 6.00%.

Minimum principal payments due in each of the next five years are as follows:

2005	$ 2,411
2006	1,552
2007	1,570
2008	534
2009	10,587
	16,654
Current portion, included in other accounts receivable	2,411
	$14,243

8 Pension Plans

The Company provides retirement benefits for substantially all of its employees under several defined benefit and defined contribution pension plans. The defined benefit plans provide benefits that are based on a combination of years of service and an amount that is either fixed or based on final earnings. The defined contribution plans restrict the Company's matching contributions to 5% of each participating employee's annual earnings. The Company's benefit plans do not provide for post-retirement health care benefits.

The Company's policy with regard to the defined benefit plans is to fund the amount that is required by governing legislation. For the two plans representing 83% of the benefit obligation, the most recent actuarial valuations were carried out as of December 31, 2001 and are currently being completed as of December 31, 2004. These valuations allowed for amendments made in 2002 to increase benefits under plans for the Company's Canadian unionized employees. In addition, the Company pays benefits as they come due for an unfunded defined benefit plan for senior executives.

The ratio of plan assets to benefit obligations for the Company's defined benefit pension plans as of December 31 is as follows:

	2004	**2003**
Registered plans	**83.4%**	75.0%
Non-registered plans	**2.2%**	4.9%
Total	**79.0%**	71.2%

The actual and target distribution of pension plan assets by market value as of December 31, 2004 follows. The investment strategy for plan assets is to maximize returns with consideration to the long-term nature of benefit obligations, while reducing volatility through investment in fixed income securities. Investment performance is evaluated relative to a portfolio invested in line with the target asset allocation and returns based on an appropriate index for each asset class. There is no investment made in securities of the Company.

	Actual	**Target**
Canadian and U.S. equities	**62%**	55%
Canadian fixed income	**32%**	40%
Other	**6%**	5%
Total	**100%**	100%

Net pension expense attributable to the Company's pension plans for the years ended December 31 includes the following components:

	2004	2003	2002
Defined benefit plans			
Service cost for benefits earned	**$ 4,850**	$ 4,410	$ 3,288
Interest cost on benefit obligations	**9,849**	8,935	7,029
Actual return on plan assets	**(11,927)**	(11,955)	5,328
Plan amendments	**–**	610	8,344
Actuarial losses	**8,693**	8,758	11,076
Costs arising in the year	**11,465**	10,758	35,065
Differences between costs arising and costs recognized			
Return on plan assets	**3,701**	5,222	(12,321)
Actuarial gains and losses	**(6,250)**	(6,772)	(10,935)
Plan amendments	**923**	220	(8,042)
Costs recognized in the year	**9,839**	9,428	3,767
Defined contribution plans	**3,888**	3,224	3,050
Net pension expense	**$ 13,727**	$ 12,652	$ 6,817

The following table sets forth the defined benefit plans' funded status and amount included in the deferred pension balance in the Company's statement of financial position at December 31:

	2004	2003
Benefit obligation at beginning of year	**$164,237**	$121,897
Service cost for benefits earned	**5,051**	4,613
Interest cost on benefit obligation	**9,849**	8,935
Plan amendments	**–**	610
Actuarial losses	**8,693**	8,758
Benefit payments	**(7,776)**	(7,728)
Currency translation	**14,277**	27,152
Benefit obligation at end of year	**194,331**	164,237
Market value of plan assets at beginning of year	**116,957**	84,777
Actual return on plan assets	**11,927**	11,955
Employer contributions	**21,613**	8,346
Plan participants contributions	**215**	521
Benefit payments	**(7,776)**	(7,728)
Currency translation	**10,553**	19,086
Market value of plan assets at end of year	**153,489**	116,957
Funded status at end of year	**(40,842)**	(47,280)
Unamortized actuarial gains and losses	**47,773**	41,746
Unamortized plan amendments	**9,250**	9,498
Deferred pension asset	**$ 16,181**	$ 3,964

Amounts applicable to the Company's pension plans with an accumulated benefit obligation in excess of plan assets are:

	2004	2003
Projected benefit obligation	**$193,086**	$163,241
Accumulated benefit obligation	**$184,121**	$155,900
Market value of plan assets	**$152,187**	$115,884

The significant actuarial assumptions adopted in measuring the Company's accrued benefit obligations as of December 31, 2004 and 2003 follow. To develop the expected long-term rate of return on plan assets assumption, the Company considered the historical returns and the future expectation for returns for each asset class, as well as the target asset allocation of the pension portfolio. Variances between such estimates and actual experience, which may be material, are amortized over the employees average remaining service life.

Pension expense for the year ended December 31:	2004	2003
Weighted average discount rate	**6.1%**	6.6%
Expected long-term rate of return on plan assets	**7.0%**	7.0%
Weighted average rate of compensation increase	**3.2%**	3.8%

Benefit obligation as of December 31:	2004	2003
Weighted average discount rate	**5.8%**	6.1%
Weighted average rate of compensation increase	**3.5%**	3.2%

Total cash payments for pension benefits for 2004, consisting of cash contributed by the Company to its defined benefit and defined contribution plans was $25,501 (2003 – $11,570, 2002 – $10,552). Based on the most recent actuarial valuations for funding purposes, the total estimated Company contributions to the pension plans for 2005 is $12,090.

Benefits expected to be paid over the next ten fiscal years are as follows:

2005	$10,490
2006	11,466
2007	11,852
2008	12,343
2009	13,069
2010 – 2014	73,625

9 Debt

		Carrying Value		Fair Value	
		2004	2003	2004	2003
a) Long-term debt					
7.32%	Unsecured notes, payable in five equal annual installments through April 1, 2009	**$ 71,429**	$ 85,714	**$ 72,481**	$ 89,077
7.80%	Unsecured debentures, (CDN $100,000) maturing and payable December 1, 2006	**83,195**	77,101	**88,787**	75,808
6.00%	Unsecured loan, maturing and payable June 1, 2007. The Company has the option at maturity to extend the term of the loan to no later than June 1, 2027 at an interest rate to be negotiated	**14,715**	14,715	**14,586**	14,461
8.11%	Unsecured financing, maturing and payable November 1, 2009. The Company has the option at maturity to extend the term of the loan to no later than November 1, 2029 at an interest rate to be negotiated	**28,000**	28,000	**28,843**	28,817
6.875%	Unsecured financing, maturing and payable May 1, 2010. The Company has the option at maturity to extend the term of the loan to no later than May 1, 2030 at an interest rate to be negotiated	**10,000**	10,000	**9,733**	9,546
8.75%	Unsecured notes, maturing and payable June 1, 2013. The Company has the option to redeem the notes after June 1, 2008 for a premium declining ratably to par at June 1, 2011	**200,000**	200,000	**228,820**	222,240
6.94%	Unsecured notes, repaid 2004	**–**	20,000	**–**	20,111
		407,339	435,530	**443,250**	460,060
Less current portion of long-term debt		**(14,286)**	(34,286)	**(14,496)**	(34,957)
		$393,053	$401,244	**$428,754**	$425,103

Fair value of debt has been estimated on the basis described in Note 2.

Minimum payment requirements on long-term debt arrangements, without exercising the options to extend the terms outstanding, are as follows:

2005	$ 14,286
2006	97,481
2007	29,001
2008	14,286
2009	42,285
	197,339
2010 – 2013	210,000
	$407,339

b) Bank lines of credit

At December 31, 2004, the Company had bank lines of credit aggregating $150,000, which can be drawn in Canadian or U.S. currency, of which no amounts had been drawn down other than letters of credit of CDN $12,128 and U.S. $3,775. Bank lines of credit are comprised of a $150,000 revolving term facility that expires November 19, 2007. The revolving term facility bears interest at spreads over the Canadian prime rate, the U.S. base rate, Canadian Bankers' Acceptances Reference Discount Rate or U.S. dollar LIBOR and is unsecured.

c) Covenants

The Company's debt arrangements require the Company to meet certain financial and other covenants, including restrictions on dividend payments as described in Note 15.

10 Preferred Shares

The Company is authorized to issue unlimited first and second preferred shares. The first preferred shares rank in priority to the second preferred shares and the common shares as to payment of dividends and the distribution of assets. The first and second preferred shares may be issued in series and the directors of the Company may fix, before issuance, the further rights, privileges, restrictions and conditions attached thereto.

The Company issued First Preferred Shares, Series 1 (the Series 1 Preferred Shares) at a price of CDN $25.00 per Series 1 Preferred Share with a fixed cumulative preferential dividend as and when declared by the directors equal to 5.50% per annum payable quarterly on the 15th of February, May, August and November of each year. The Series 1 Preferred Shares, including accrued and unpaid cumulative dividends, were classified as equity given the Company's unrestricted ability to settle the Series 1 Preferred Shares and related dividends by issuing its own common shares.

As provided for under the terms of the Series 1 Preferred Shares, the shares were fully redeemed by the Company on May 15, 2004 for a total of $110,494, representing CDN $25.00 per share plus accrued dividends of $1,498.

11 Common Shares

a) Authorized

The Company is authorized to issue unlimited common shares.

b) Issued

In February 2002, the Company issued, for cash, 6,500,000 common shares at an issue price of CDN $23.25. Gross proceeds of U.S. $94,761 were reduced by the related share issue expenses of $4,073, net of income taxes of $1,507.

12 Stock Based Compensation

a) Share Option Plan

The Company has a share option plan under which common shares are reserved for directors, officers and employees. Under the terms of the plan, reserved common shares may be granted as options, performance units, or restricted shares.

Following is the continuity of common shares reserved for future grants under the Share Option Plan:

	2004	2003	2002
Balance at beginning of year	**372,696**	263,158	696,558
Grants	**(169,777)**	(157,460)	(443,900)
Cancellations	**72,900**	266,998	10,500
Balance at end of year	**275,819**	372,696	263,158

b) Compensation expense

In 2004, total compensation expense related to the Company's Share Option Plan was $1,123 (2003 – $305, 2002 – $61).

c) Share options

The options, which are exercisable within ten years, are granted at a price established by the Board of not less than the last Toronto Stock Exchange board lot trading price on the day of the grant. The options vest over one to three years. Outstanding options at December 31, 2004 expire between 2005 and 2013.

Following is the continuity of granted options outstanding with the weighted average exercise price in Canadian dollars:

	2004		**2003**		**2002**	
	Number	**Weighted Average Exercise Price**	**Number**	**Weighted Average Exercise Price**	**Number**	**Weighted Average Exercise Price**
Balance at beginning of year	2,973,251	$ 23.31	3,421,404	$23.18	3,311,955	$22.47
Options granted	–	–	5,000	15.81	439,500	22.22
Options exercised	(1,711,686)	22.17	(186,503)	17.44	(319,551)	14.28
Options cancelled	(56,500)	23.65	(266,650)	25.65	(10,500)	27.98
Balance at end of year	1,205,065	24.90	2,973,251	23.31	3,421,404	23.18

Following is the range of exercise prices in Canadian dollars and contractual life of outstanding options under the plan as of December 31, 2004:

	Number	**Weighted Average Exercise Price**	**Weighted Average Remaining Contractual Life**
Balance of options outstanding at year end within the following ranges:			
$10.00 to $19.99	345,640	$ 16.97	5.5
$20.00 to $29.99	450,550	21.56	5.0
$30.00 to $50.00	408,875	35.30	3.4
	1,205,065	24.90	4.6

Following is the range of exercise prices in Canadian dollars of options currently exercisable under the plan as of December 31, 2004:

	Number	Weighted Average Exercise Price
Balance of options exercisable at year end within the following ranges:		
$10.00 to $19.99	342,306	$ 16.98
$20.00 to $29.99	443,884	21.48
$30.00 to $50.00	408,875	35.30
	1,195,065	24.92

d) Performance units

The performance units, which require no payment by the holder, vest at the end of three years based on continued employment and achievement of certain Company performance objectives. Upon vesting, each performance unit will be converted to one common share, and the holders of performance units are entitled to payment of an amount equal to dividends declared during the vesting period. The weighted average grant date fair value of performance units in Canadian dollars was $29.66 (2003 – $13.38).

Following is the continuity of granted performance units outstanding:

	2004	2003
Balance at beginning of year	**65,195**	–
Performance units granted	**69,190**	65,543
Performance units cancelled	**(400)**	(348)
Balance at end of year	**133,985**	65,195

e) Restricted shares

Under the Company's share option plan, the Company has granted restricted shares to officers of the Company. The shares vest at the end of one to three years based on continued employment and achievement of certain Company performance objectives. During the vesting period the holders of the restricted shares are entitled to all the rights of a common shareholder including dividends and voting. The rights of the holders to dispose of the shares are restricted until the shares are vested. The weighted average grant date fair value of restricted shares in Canadian dollars was $29.47 (2003 – $13.38, 2002 – $22.73).

Following is the continuity of restricted shares outstanding:

	2004	2003	2002
Balance at beginning of year	**91,317**	4,400	–
Granted	**100,587**	86,917	4,400
Cancelled	**(16,000)**	–	–
Balance at end of year	**175,904**	91,317	4,400

13 Deferred Share Unit Plan

The Company has a deferred share unit plan into which directors must defer at least half of their annual retainer. Such deferrals are converted to deferred share units, each of which has a value equal to the value of one common share. On retirement from the Board, the director may receive payment of their deferred share units in cash, shares purchased on the open market or shares issued by the Company. The liability for deferred share units is included in accrued payroll and related liabilities.

Following is the continuity of deferred share units outstanding:

	2004		2003		2002	
	Number	Amount	Number	Amount	Number	Amount
Balance at beginning of year	**87,267**	**$ 1,618**	55,088	$ 555	41,352	$ 494
Granted	**18,133**	**488**	36,418	456	18,796	228
Redeemed	–	–	(4,239)	(38)	(5,060)	(86)
Revaluation	–	**2,919**	–	645	–	(81)
Balance at end of year	**105,400**	**$ 5,025**	87,267	$ 1,618	55,088	$ 555

14 Subordinated Notes

On November 29, 2004, the Company fully redeemed its $100,000 incremental rate junior subordinated notes (the "Notes") for cash of $103,494, representing the outstanding principal and interest at the date of redemption. The Notes, which were scheduled to mature December 31, 2038, were subject to interest payable in arrears semi-annually at 8.5%.

The principal amount of the incremental rate Junior Subordinated Notes was classified as equity and accrued interest, on an after tax basis, was classified as a charge to retained earnings given the Company's ability to settle the amounts by issuing its own common shares.

15 Dividends

Under the terms of the 8.75% unsecured notes, certain payments, including dividends on common shares, are subject to limitations. At December 31, 2004, the restricted payments are limited to $157,300.

Dividends on common shares totalled CDN $0.25 per share in 2004 (2003 – CDN $0.20 per share, 2002 – CDN $0.20 per share).

16 Earnings Per Common Share

Basic earnings per common share is calculated by dividing net income available to common shareholders by the weighted average number of common shares outstanding. Diluted earnings per share is calculated by dividing net income by the weighted average shares outstanding plus share equivalents that would arise from a) the exercise of share options, deferred share units, restricted shares and performance units, and b) the conversion of preferred shares and Subordinated Notes. Out-of-the-money share options, those with an exercise price greater than market price, are excluded from the calculation as they are anti-dilutive. Conversion of preferred shares and Subordinated Notes have been excluded from the calculation in 2003 and 2002 as they are anti-dilutive. The per share amounts disclosed on the Consolidated Statements of Income are based on the following:

	2004	2003	2002
Numerator for basic earnings per share – Net income available to common shareholders	**$ 430,892**	$ 4,510	$ 10,321
Dividends on preferred shares, including part VI.I tax	**2,461**	–	–
Interest on Subordinated Notes, net of income tax	**5,257**	–	–
Numerator for diluted earnings per share	**$ 438,610**	$ 4,510	$ 10,321
Common shares outstanding – January 1	**47,940,907**	47,667,487	40,843,536
Additional shares issued	**361,137**	19,637	5,638,318
Denominator for basic earnings per share	**48,302,044**	47,687,124	46,481,854
Adjustment for share options	**554,164**	528	366,999
Adjustment for deferred share units	**94,433**	68,667	44,176
Adjustment for restricted shares	**55,289**	16,372	–
Adjustment for performance units	**35,139**	10,057	–
Adjustment for preferred shares	**2,284,644**	–	–
Adjustment for Subordinated Notes	**1,908,213**	–	–
Denominator for diluted earnings per share	**53,233,926**	47,782,748	46,893,029

17 Expenditures for Capital Assets

	2004	2003	2002
Additions to capital assets	**$ 28,508**	$ 9,425	$ 28,265
Decrease in accounts payable and accrued charges for capital expenditures	**560**	4,103	5,946
	$ 29,068	$ 13,528	$ 34,211

18 Investment in Joint Venture

During 2003, the Company made an initial investment of $2,000 for a 50% interest in Blastech Mobile LLC, a blast and paint line located adjacent to the Mobile Steelworks. During 2004, the Company invested an additional $400 to relocate production equipment and $300 for the initial working capital requirements of the project.

The Company's proportionate share of the major components of its joint venture investment is as follows:

	2004	2003
Statements of financial position		
Current assets	**$ 708**	$ 208
Investment	**(2,661)**	(2,401)
Capital assets	**2,475**	2,193
	$ 522	$ –
Current liabilities	**$ (522)**	$ –
	$ (522)	$ –
Statements of income		
Net loss	**$ 39**	
Statements of cash flows		
Cash derived from (applied to):		
Operating activities	**$ 489**	$ –
Investment activities	**(394)**	–
Net increase in cash	**$ 95**	$ –

19 Segmented Information

The Company is organized and managed as a single business segment, being steel products, and the Company is viewed as a single operating segment by the chief operating decision maker for the purposes of resource allocation and assessing performance.

Financial information on the Company's geographic areas follows. Sales are allocated to the country in which the third party customer receives the product.

	2004	2003	2002
Sales			
Canada	**$ 806,584**	$ 504,346	$ 365,854
United States	**1,646,091**	790,220	715,855
	$2,452,675	$1,294,566	$1,081,709
Capital Assets			
Canada	**$ 216,254**	$ 200,854	
United States	**859,258**	908,564	
	$1,075,512	$1,109,418	

Sales information by product group is as follows:

	2004	2003	2002
Steel mill products	**$1,517,506**	$ 756,048	$ 687,439
Tubular products	**935,169**	538,518	394,270
	$2,452,675	$1,294,566	$1,081,709

20 Commitments

a) The Company and its subsidiaries have lease commitments on property for the period to 2015. The payments required by these leases, including the sale-leaseback transaction discussed below, are as follows:

2005	$ 20,708
2006	20,062
2007	19,521
2008	17,622
2009	15,565
	93,478
2010 – 2015	86,606
	$ 180,084

Rental expenses incurred under operating leases during 2004, 2003 and 2002 were $23,086, $24,885 and $24,450 respectively.

In October 2000, the Company concluded the sale and leaseback of certain of its Montpelier Steelworks production equipment for cash proceeds of $150,000. The Company has options, but is not obligated, to purchase the equipment after seven and ten years for predetermined amounts and at the end of the 15-year lease term for the fair market value of the equipment, subject to a residual guarantee of $37,500.

b) The Company and its subsidiaries have commitments under service and supply contracts for the period to 2018. Payments required under these contracts are as follows:

2005	$ 65,139
2006	46,949
2007	37,590
2008	31,791
2009	21,687
	203,156
2010 – 2018	66,423
	$ 269,579

c) At December 31, 2004, commitments to complete capital programs in progress total $28,001.

21 Supplemental Information

	2004	2003	2002
Allowance for doubtful accounts	**$ 833**	$ 3,214	$ 9,170
Doubtful accounts charged to expense	**$ (170)**	$ 259	$ (706)
Interest income	**$ 3,709**	$ 1,860	$ 819
Other interest expense	**$ 240**	$ 235	$ 993
Miscellaneous income	**$ 3,110**	$ 1,512	$ 1,391
Research and development expense	**$ 1,829**	$ 1,542	$ 1,391
Interest paid	**$ 33,538**	$ 26,993	$ 20,856
Income tax installments paid	**$ 22,527**	$ 12,800	$ 12,289

22 Significant Differences Between United States and Canadian GAAP

a) Reconciliation of net income between accounting principles generally accepted in the United States and Canada:

	2004	2003	2002
Net income as reported under Canadian GAAP (restated)	**$ 438,610**	$ 16,585	$ 21,700
Adjustments relating to amortization of capital assets (i)	**2,460**	2,536	(1,839)
Adjustments relating to Subordinated Notes (ii)	**(5,257)**	(5,771)	(5,771)
Adjustments relating to sale-leaseback (iii)	**(2,839)**	(777)	(1,404)
Adjustments relating to natural gas hedge (iv)	**(321)**	(407)	736
Adjustments relating to change in accounting (v)	**14,250**	(4,223)	(1,421)
Adjustments relating to valuation allowance on net future income tax asset (vi)	**10,500**	–	26,700
Dividends on preferred shares including part VI.I tax	**(2,461)**	(6,304)	(5,608)
Net income in accordance with U.S. GAAP	**$ 454,942**	$ 1,639	$ 33,093
Earnings per common share:			
Basic	**$ 9.42**	$ 0.03	$ 0.71
Diluted (vii)	**$ 8.69**	$ 0.03	$ 0.66
Net income in accordance with U.S. GAAP	**$ 454,942**	$ 1,639	$ 33,093
Dividends on preferred shares including part VI.I tax	**2,461**	–	5,608
Interest on Subordinated Notes	**5,257**	–	5,771
Numerator for diluted earnings per share	**$ 462,660**	$ 1,639	$ 44,472
Common shares outstanding – January 1	**47,940,907**	47,667,487	40,843,536
Additional shares issued	**361,137**	19,637	5,638,318
Denominator for basic earnings per share	**48,302,044**	47,687,124	46,481,854
Adjustment for share options	**554,164**	528	366,999
Adjustment for deferred share units	**94,433**	68,667	44,176
Adjustment for restricted shares	**55,289**	16,372	–
Adjustment for performance units	**35,139**	10,057	–
Adjustment for preferred shares	**2,284,644**	–	10,328,336
Adjustment for Subordinated Notes	**1,908,213**	–	10,373,134
Denominator for diluted earnings per share	**53,233,926**	47,782,748	67,594,499

i) United States GAAP requires amortization of capital assets to commence when the capital assets are available for use. Under Canadian GAAP, amortization commences when the assets are placed into production which occurs at the end of the commissioning or start-up period. Further, the amount capitalized to capital assets under United States GAAP differs from the amount capitalized under Canadian GAAP. United States GAAP requires interest to be capitalized on the expenditures incurred for all major projects under construction to a maximum of all interest costs during the year or until the assets are placed into production. Commissioning and start-up costs are not included in the calculation of interest to be capitalized. For Canadian GAAP, commissioning and start-up costs are included in the calculation. United States GAAP requires commissioning or start-up costs to be expensed as incurred. For Canadian GAAP, these costs are capitalized.

ii) U.S. GAAP requires that the Subordinated Notes be classified as long-term debt, the related accrued interest to be classified as a liability, the related issue costs to be recorded as an asset which is amortized to interest expense over the term of the debt, the related pre-tax interest to be deducted in determining income and the related income tax benefit to be recorded as part of income tax expense. Under Canadian GAAP, as disclosed in Note 14, the Company has classified the Subordinated Notes as part of shareholders' equity and the interest, net of related tax effects, and the issue costs have been classified as charges to retained earnings.

iii) U.S. GAAP requires the financing method of accounting for a 2000 sale and leaseback transaction which involves real property resulting in interest expense on the obligation and amortization of the capital asset. Under Canadian GAAP, the transaction has been afforded operating lease treatment and lease expense is incurred.

iv) U.S. GAAP requires recording of the ineffective portion of cash flow hedges in the income statement including the mark-to-market adjustment of the natural gas contract and the amortization of the effective portion (prior to the counter party bankruptcy) of the natural gas hedge over the remaining life of the contract. As the contract expired in 2004, the impact of the adoption of AG 13 for Canadian GAAP purposes was insignificant.

v) U.S. GAAP requires the cumulative effect of a change in accounting principle to be recorded, net of income taxes, as a charge to income in the current period. For Canadian GAAP, the change has been applied retroactively with restatement of prior periods, as discussed in Note 3.

vi) The adjustment represents the change in the valuation allowance provided on the net tax asset allocated to future years for United States GAAP as a result of differences in accounting practices between United States and Canadian GAAP. See i) above for explanation of the principal differences.

In early 2002, the Company restructured its Alabama operations such that the tax status changed from a corporation to a partnership. The majority partner is a taxable Canadian subsidiary of the Company, which is not part of the consolidated U.S. tax group. The restructuring resulted in significant recapture causing taxable income to be generated in the U.S. In evaluating the future realization of deferred tax assets following the restructuring, it was determined that the change in the valuation allowance required for U.S. GAAP purposes was $26.7 million lower than the change in the valuation allowance required for Canadian GAAP purposes.

vii) In 2003, no adjustment was made for conversion of preferred shares or Subordinated Notes as they were anti-dilutive.

b) Comprehensive income:

	2004	2003	2002
Net income in accordance with U.S. GAAP	**$454,942**	$ 7,943	$ 38,701
Other comprehensive income			
Foreign currency translation adjustments	**(9,425)**	50,216	3,907
Adjustments relating to minimum pension liability	**8,082**	(7,935)	(25,366)
Tax effect	**(2,457)**	3,968	9,436
Fair value adjustment for foreign exchange hedge	**(180)**	180	–
Tax effect	**90**	(90)	–
Fair value adjustment for natural gas hedge	**1,546**	–	–
Tax effect	**(470)**	–	–
Amortization of natural gas hedge to income	**552**	664	664
Tax effect	**(199)**	(239)	(239)
	(2,461)	46,764	(11,598)
Comprehensive income in accordance with U.S. GAAP	**$452,481**	$ 54,707	$ 27,103

c) Reconciliation of the statement of financial position between accounting principles generally accepted in Canada and the United States:

	2004	2003
i) Current assets		
Balance under Canadian GAAP	**$1,181,615**	$ 649,302
Adjustment relating to fair value of natural gas hedge	**1,546**	–
Adjustment relating to fair value of foreign exchange hedge	**–**	180
Adjustment relating to investment in joint venture	**(708)**	(208)
Balance under U.S. GAAP	**$1,182,453**	$ 649,274
ii) Investments		
Balance under Canadian GAAP	**$ –**	$ –
Adjustment relating to investment in joint venture	**2,661**	2,401
Balance under U.S. GAAP	**$ 2,661**	$ 2,401
iii) Capital assets		
Balance under Canadian GAAP	**$1,075,512**	$1,109,418
Adjustments relating to the capitalization of interest	**(13,902)**	(13,902)
Adjustments relating to commissioning costs	**(112,233)**	(112,233)
Adjustments relating to amortization of capital assets	**(12)**	(3,547)
Adjustments relating to 2000 sale-leaseback transaction	**121,699**	130,594
Adjustment relating to investment in joint venture	**(2,475)**	(2,193)
Balance under U.S. GAAP	**$1,068,589**	$1,108,137
iv) Deferred pension liability (asset)		
Balance under Canadian GAAP	**$ (16,181)**	$ (3,964)
Adjustments relating to minimum pension liability	**31,934**	40,016
Balance under U.S. GAAP	**$ 15,753**	$ 36,052
v) Future income taxes – long-term asset		
Balance under Canadian GAAP	**$ 54,034**	$ 149,430
Adjustments relating to 2000 sale-leaseback transaction	**3,876**	2,629
Adjustments relating to valuation allowance on net future income tax asset	**–**	(10,500)
Balance under U.S. GAAP	**$ 57,910**	$ 141,559
vi) Current liabilities		
Balance under Canadian GAAP	**$ 344,850**	$ 198,181
Adjustments relating to Subordinated Notes	**–**	4,250
Adjustments relating to 2000 sale-leaseback transaction	**11,716**	12,708
Adjustments relating to natural gas contract	**–**	44
Adjustments relating to investment in joint venture	**(522)**	–
Adjustments relating to change in accounting policy	**–**	25,056
Balance under U.S. GAAP	**$ 356,044**	$ 240,239
vii) Long-term debt		
Balance under Canadian GAAP	**$ 393,053**	$ 401,244
Adjustments relating to Subordinated Notes	**–**	100,000
Adjustments relating to 2000 sale-leaseback transaction	**120,598**	124,419
Balance under U.S. GAAP	**$ 513,651**	$ 625,663

viii) Future income taxes – long-term liability

Balance under Canadian GAAP	**$ 221,381**	$ 182,864
Adjustments relating to the capitalization of interest	**(5,172)**	(5,172)
Adjustments relating to commissioning costs	**(41,751)**	(41,751)
Adjustments relating to amortization of capital assets	**405**	(670)
Adjustments relating to minimum pension liability	**(13,445)**	(15,902)
Adjustments relating to foreign exchange contract	**–**	90
Adjustments relating to natural gas contract	**470**	82
Adjustments relating to change in accounting policy	**–**	(1,221)
Balance under U.S. GAAP	**$ 161,888**	$ 118,320

ix) Preferred shares

Balance under Canadian GAAP	**$ –**	$ 98,695
Adjustment relating to translation of convenience method	**–**	(1,024)
Balance under U.S. GAAP	**$ –**	$ 97,671

x) Common shares

Balance under Canadian GAAP	**$ 385,582**	$ 354,095
Adjustment relating to translation of convenience method	**40,733**	40,733
Balance under U.S. GAAP	**$ 426,315**	$ 394,828

xi) Subordinated Notes

Balance under Canadian GAAP	**$ –**	$ 104,250
Adjustments relating to Subordinated Notes	**–**	(104,250)
Balance under U.S. GAAP	**$ –**	$ –

xii) Retained earnings

Balance under Canadian GAAP	**$ 923,530**	$ 502,174
Adjustments relating to the capitalization of interest	**(8,730)**	(8,730)
Adjustments relating to commissioning costs	**(70,482)**	(70,482)
Adjustments relating to amortization of capital assets	**(417)**	(2,877)
Adjustments relating to 2000 sale-leaseback transaction	**(6,743)**	(3,904)
Adjustments relating to natural gas hedge	**–**	323
Adjustments relating to change in accounting policy	**–**	(14,250)
Adjustment relating to translation of convenience method	**47,700**	47,700
Adjustments relating to valuation allowance on net future income tax asset	**–**	(10,500)
Balance under U.S. GAAP	**$ 884,858**	$ 439,454

xiii) Accumulated other comprehensive income

Balance under Canadian GAAP	**$ 80,525**	$ 89,600
Adjustments relating to minimum pension liability	**(18,489)**	(24,114)
Adjustments relating to foreign currency hedge	**–**	90
Adjustments relating to natural gas hedge	**1,076**	(354)
Adjustments relating to change in accounting policy	**–**	(674)
Adjustment relating to translation of convenience method	**(88,433)**	(87,409)
Balance under U.S. GAAP	**$ (25,321)**	$ (22,861)

Under Canadian GAAP, the Company has followed the proportionate consolidation method of accounting for its investment in a jointly controlled enterprise. Under U.S. GAAP, as the investment is not controlled, the equity method of accounting for the investment is required.

Under U.S. GAAP, the Company has recorded the changes in the fair value of the effective portion of derivatives qualifying as cash flow hedges, net of tax, in accumulated other comprehensive income.

Under U.S. GAAP, the Company has recorded an additional minimum pension liability for underfunded plans representing the excess of unfunded accumulated benefit obligations over previously recorded pension cost liabilities. A corresponding amount is recognized as a deferred charge except to the extent that these additional liabilities exceed the related unrecognized prior service cost and net transition obligation, in which case the increase in liabilities is charged directly to shareholders' equity, net of related deferred income taxes.

When the Company changed reporting currencies effective January 1, 1999, the translation of convenience method was used for Canadian GAAP. U.S. GAAP requires that the U.S. dollar amounts be determined using the historical rates in effect when the underlying transactions occurred.

d) Following is a roll-forward of shareholders' equity in accordance with U.S. GAAP:

	2004	**2003**	**2002**
Balance at beginning of year	**$ 909,092**	$864,724	$754,152
Net income for the year	**454,942**	1,639	33,093
Dividends on common shares	**(9,536)**	(6,962)	(6,078)
Other comprehensive income	**(2,461)**	46,764	(11,598)
Issue of common shares	**31,487**	2,784	95,148
Redemption of preferred shares	**(97,671)**	–	–
Other	**(1)**	143	7
Balance at end of year	**$1,285,852**	$909,092	$864,724

e) U.S. GAAP defines cash position to be cash and cash equivalents. Under Canadian GAAP, cash position, in certain circumstances, can be defined as cash and cash equivalents less bank indebtedness. This difference and the above U.S. GAAP adjustments result in the following statements of cash flows for the Company:

	2004	**2003**	**2002**
Cash derived from operating activities	**$ 498,437**	$100,157	$ 12,663
Cash derived from financing activities	**$ (237,501)**	$ 19,745	$ 7,691
Cash applied to investing activities	**$ (27,292)**	$ (12,711)	$(34,451)
Effect of exchange rate changes on cash and cash equivalents	**$ (10,229)**	$ 1,309	$ (536)
Cash position at December 31	**$ 354,774**	$131,359	$ 22,859

f) Stock Based Compensation

Prior to 2003, the Company accounted for stock based compensation plans under the recognition and measurement provisions of APB Opinion No. 25, Accounting for Stock Issued to Employees, and related interpretations. No stock based employee compensation cost is reflected in 2002 net income, as all options granted had an exercise price equal to the market value of common shares on the date of grant. Effective January 1, 2003, the Company adopted the fair value provisions of FASB Statement No. 123, Accounting for Stock-Based Compensation, prospectively for all employee awards granted, modified or settled after January 1, 2003. Awards vest over periods ranging from 1 to 3 years, therefore, the cost related to stock based employee compensation included in the determination of net income for 2003 is less than that which would have been recognized if the fair value based method had been applied to all awards since the original effective date of Statement No. 123. The following table illustrates the effect on net income and earnings per share if the fair value based method had been applied to all outstanding and unvested awards in each period.

	2004	**2003**	**2002**
Net income in accordance with U.S. GAAP	**$454,942**	$ 1,639	$ 33,093
Compensation expense determined under fair value based method for all awards, net of tax	–	(313)	(975)
Pro forma net income in accordance with U.S. GAAP	**$454,942**	$ 1,326	$ 32,118
Pro forma earnings per common share:			
Basic	**$ 9.42**	$ 0.03	$ 0.69
Diluted	**$ 8.69**	$ 0.03	$ 0.64

g) Additional disclosure required under U.S. GAAP:

i) The total interest paid, including interest on the Subordinated Notes, was $54,814, $45,396 and $39,707 in 2004, 2003 and 2002 respectively.

The total fair market value of the Company's long-term debt, including the Subordinated Notes in 2003, was $552,470 (2003 – $689,605) and the current portion was $19,182 (2003 – $43,385).

ii) A natural gas hedge contract was designated as a hedge against volatility in the price of natural gas purchased for consumption in the steel production process. The bankruptcy of the counter party's parent company, as guarantor of the contract, caused the contract to be deemed ineffective. As a result, the unrealized liability recorded in other comprehensive income at the time of the bankruptcy was being amortized to income over the remaining life of the contract. The fair value of the contract liability was marked-to-market each reporting period with the change being recorded to income in the period.

iii) A summary of the impact of accounting standards adopted in 2004 and accounting standards which have not yet been adopted due to delayed effective dates follows:

In December 2004, the FASB issued SFAS No. 123R, *Share-Based Payment,* which requires all share-based payments to employees to be recognized in the income statement based on their fair values. The standard will be effective for the Company's 3rd quarter 2005 reporting period. The Company expects that the effect of adoption will not be material to the consolidated financial statements.

In November 2004, the FASB issued SFAS No. 151, Inventory Costs, which requires that abnormal amounts of idle facility expense, freight, handling costs and spoilage be recognized as period costs and that the allocation of fixed production overheads be based on the normal capacity of production facilities. The Company will adopt SFAS No. 151 effective January 1, 2005. The Company expects that the effect of such adoption will not be material to the consolidated financial statements.

In January 2003, the FASB issued Interpretation No. 46, Consolidation of Variable Interest Entities, an interpretation of Accounting Research Bulletin (ARB) No. 51, Consolidated Financial Statements (FIN 46). FIN 46 introduces a new consolidation model, the variable interests model, which determines control (and consolidation) based on potential variability in gains and losses of the entity being evaluated for consolidation. FIN 46 was effective for fiscal years ending after December 15, 2003. However, in December 2003, the FASB issued a revision, "FIN 46-R", which both supercedes the original FIN 46, and codifies both certain modifications to FIN 46 and other decisions previously issued through certain FASB Staff Positions. Application of FIN 46-R is required in financial statements of public entities that have interests in structures that are commonly referred to as special-purpose entities for periods ending after December 15, 2003, and all other types of variable interest entities in financial statements for periods ending after March 15, 2004. The Company adopted FIN 46-R January 1, 2004, and the effect of such adoption was not material to the consolidated financial statements.

23 Contingencies and Environmental Expenditures

The major raw material used in the steelmaking process is reclaimed iron and steel scrap. This recycling has made a significant contribution to protecting the environment. As an ongoing commitment to the environment, the Company continues to monitor emissions, perform site clean-up, and invest in new equipment and processes. Nevertheless, rapidly changing environmental legislation and regulatory practices are likely to require future expenditures to modify operations, install additional pollution control equipment, dispose of waste products, and perform site clean-up and site management. The magnitude of future expenditures cannot be determined at this time. However, management is of the opinion that under existing legislation and regulatory practices, expenditures required for environmental compliance will not have a material adverse effect on the Company's results of operations, financial position or net cash flows. Environmental expenditures that relate to ongoing environmental and reclamation programs are charged against earnings as incurred or capitalized and amortized depending on the future economic benefits.

The Company is involved in various other legal actions and claims, including environmental matters, arising from the normal course of business. It is the opinion of management that the ultimate resolution of these matters will not have a material adverse effect on the results of operations, financial position or net cash flows of the Company.

Years Ended December 31 (U.S. dollars unless otherwise indicated)
(Results for 1999 through 2003 have been restated to reflect the change in accounting for the cost of major overhauls and repairs described in Note 3 to the financial statements.)

Operations

	2004	2003	2002	2001	2000	1999
Plate and coil tons produced	**3,283.3**	3,023.7	2,783.2	2,238.2	1,904.5	1,662.2
Finished tons shipped	**3,561.0**	3,137.1	2,896.9	2,435.1	2,233.2	1,832.9
Sales per ton *	**$ 689**	413	369	380	425	441
Less: Cost excluding interest & income taxes *	**505**	395	351	363	387	379
Operating profit per ton *•	**$ 184**	18	18	17	38	62
Average number of employees *	**2,499**	2,373	2,404	2,288	1,962	1,752
Statement of Income						
Sales	**$2,452.7**	1,294.6	1,081.7	903.7	949.3	808.3
Gross income	**715.5**	110.6	103.7	97.3	145.1	159.3
Selling, research and administration	**61.4**	54.7	51.4	55.8	60.9	45.6
Net financing cost	**29.1**	23.0	24.9	6.5	6.5	11.3
Non-recurring income	**4.9**	–	6.5	29.0	–	–
Income taxes	**191.3**	16.4	12.2	23.6	22.3	24.3
Net income	**438.6**	16.7	21.7	40.4	55.4	78.1
Net income available to common shareholders	**$ 430.9**	4.5	10.3	28.9	44.5	72.0
EBITDA°	**$ 283.1**	123.1	106.7	106.7	119.1	144.6
Statement of Cash Flows						
Cash flow from operating activities						
From earnings	**$ 597.0**	109.3	74.7	64.0	89.9	85.4
From operating working capital	**(99.9)**	(9.9)	(62.2)	44.3	(67.1)	(29.9)
Total	**497.1**	99.4	12.5	108.3	22.8	55.5
Net investments	**27.3**	12.5	34.5	157.8	370.3	120.7
Financial Position at Year End						
Current assets	**$1,181.6**	649.3	472.9	435.3	445.6	476.2
Capital and other long-term assets	**1,167.3**	1,281.8	1,263.4	1,279.4	1,167.4	988.7
	$2,348.9	1,931.1	1,736.3	1,714.7	1,613.0	1,464.9
Current liabilities	**$ 344.9**	198.1	151.1	190.9	168.1	179.2
Long-term debt	**393.0**	401.2	342.2	386.8	343.8	297.5
Other long-term liabilities	**221.4**	183.0	145.5	142.9	109.4	98.9
Shareholders' equity	**1,389.6**	1,148.8	1,097.5	994.1	991.7	889.3
	$2,348.9	1,931.1	1,736.3	1,714.7	1,613.0	1,464.9
Financial Ratios						
Return on common shareholders' equity	**37%**	0%	1%	4%	6%	9%
Long-term debt as a % of total capitalization	**22%**	26%	24%	28%	26%	25%
Working capital ratio (to 1)	**3.4**	3.3	3.1	2.3	2.7	2.7
Shareholder Information						
Net income per common share *	**$ 8.92**	0.09	0.22	0.71	1.09	1.77
Net income per common share (diluted) *	**8.24**	0.09	0.22	0.69	0.87	1.66
Dividends paid per common share (CDN) *	**0.25**	0.20	0.20	0.425	0.50	0.50
Dividends paid per preferred share (CDN) *	**0.344**	1.375	1.375	1.375	1.375	1.375
Shareholders' equity per common share *	**27.94**	23.96	23.02	24.13	24.30	21.80
Range of market value of common stock						
in Canadian Dollars on TSX – High*	**59.40**	24.25	28.00	25.85	30.50	35.00
– Low *	**18.82**	11.50	13.01	13.10	10.95	23.00
Range of market value of common stock						
in U.S. Dollars on NYSE – High*	**49.52**	18.69	18.20	16.35	20.50	24.13
– Low *	**14.20**	8.06	8.21	8.5625	7.31	15.63
Range of market value of preferred stock (until redemption May 15, 2004)						
in Canadian Dollars on TSX – High*	25.60	25.33	25.30	25.15	25.25	26.45
– Low *	**24.80**	24.00	23.52	23.00	22.40	24.00
Number of common shares*	**49.7**	47.9	47.7	40.8	40.8	40.8

* Dollars and numbers of shares in millions and tons in thousands except as indicated by asterisk • Excludes Mobile shipments to September 30, 2001

° EBITDA is defined as earnings before interest expense, income taxes, depreciation and amortization. The Company believes that EBITDA is a standard measure of performance, commonly reported and widely used by analysts, investors, and other interested parties in the steel industry. Accordingly, this information has been disclosed herein to permit a more complete comparative analysis of the Company's operating performance and capitalization relative to other companies in its industry. This indicator should not be considered as a substitute or alternative for GAAP measurers such as net income, net income available to common shareholders or cash flow

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Former President of PanCanadian Petroleum.
Former Executive Vice President and CFO of Canadian Pacific.
Director since 2003

Juanita Hinshaw (A,F)
Chesterfield, Missouri
Senior Vice President and CFO of Graybar Electric Company, an employee-owned distributor of electrical, telecommunications and data products.
Director since 2002

Burton Joyce (M,G)
Penhook, Virginia
Retired President, CEO and Director of Terra Industries, a fertilizer and methanol manufacturer.
Director since 1993
Chairman since 2000

Jack Michaels (M,G)
Muscatine, Iowa
Chairman, President and CEO of Snap-On Incorporated, a tool and equipment solutions manufacturer.
Director since 2000

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Director since 1998

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Former CEO of Husky Oil.
Director since 1979

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Director since 1994

David Sutherland
Naperville, Illinois
President and CEO of IPSCO.
Director since 2002

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Director since 2001

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President of Axia NetMedia, an IP network systems and media solutions company.
Director since 1990 and from 1974 to 1982

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Counsel to McCarthy Tétrault, barristers and solicitors. Vice Chairman, Canaccord Capital.
Former Minister of Energy, Government of Alberta.
Director since 1987

Committee membership as of February 24, 2005

(M) Management Resources and Compensation Committee **(A)** Audit Committee
(G) Governance and Compliance Committee **(F)** Finance

Stock Listings and Symbols
Common shares
New York Stock Exchange (IPS)
Toronto Stock Exchange (IPS)

Annual Meeting
April 28, 2005 at 9:00 a.m. at the
Turvey Centre, Armour Road,
Regina, Saskatchewan.

Where to Get More Information
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IPSCO Website
www.ipsco.com
Our website offers a wide variety of investor and other corporate information, as well as links to IPSCO regulatory filings.

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Burton Joyce
Chairman of the Board

David Sutherland
President and Chief Executive Officer

John Tulloch
Executive Vice President – Steel and
Chief Commercial Officer

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Vice President of Corporate Development

Barry Hodson
Vice President and General Sales Manager,
Canadian Tubular Products

Leslie Lederer
Vice President, General Counsel and
Corporate Secretary

Peter MacPhail
Vice President of Primary Operations

Greg Maindonald
Vice President of Operations Services

Daniel Miksta
Vice President and General Sales Manager,
Steel Products

Raymond Rarey
Vice President and Chief Human Resources Officer

Philip Marusarz
Controller

Patricia Kampling
Treasurer

John Comrie, Q.C.
Director of Trade Policy and Communications
and Assistant Secretary

Robert Eisner
Assistant Treasurer

In 2004, IPSCO and its employees continued a tradition of giving by donating thousands of dollars to provide relief support to the communities near our Mobile, Alabama steelworks affected by Hurricane Ivan. To learn more about IPSCO, visit our website at:

www.ipsco.com

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